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ABSTRACT

With Social Security and retirement benefits unable to keep up with inflation, and persons living longer than ever in this country, retirement at age 65 or younger may no longer be a desirable choice for millions of older workers. These themes were articulated by government officials and foundation officers at the first session of a U.S. Senate hearing on work after 65, held in Washington, D.C., in April, 1980. In the hearing, witnesses from the Center on Work and Aging, American Institutes for Research; the Gerontology Research Institute, University of Southern California; the Center for Studies in Social Policy, the Work in America Institute; the National Council on Aging; and the President's Commission on Pension Policy, along with Senators Lawton Chiles, Pete Domenici, John Heinz, and Charles Percy, testified that the demographic picture of the United States will show a much greater number of older persons after the turn of the next century, as compared to today. This population, if early-age retirements continue, will place a great strain on the resources of the country for support. At the same time, witnesses noted, many thousands of older workers are both capable and desirous of continuing on the job, or at least being employed part time. Efforts must be made to change both public policy and public opinion to both permit and encourage older workers to continue to be employed, according to the witnesses, with benefits from such a policy accruing to both the older persons and the economy of the country. (KC)

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WORK AFTER 65: OPTIONS FOR THE 80's

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING UNITED STATES SENATE

NINETY-SIXTH CONGRESS

SECOND SESSION

PART 1—WASHINGTON, D.C.

APRIL 24, 1980

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WORK AFTER 65: OPTIONS FOR THE 80's

THURSDAY, APRIL 24, 1980

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee convened, pursuant to notice, at 10:18 a.m., in room 5110, Dirksen Senate Office Building, Hon. Lawton Chiles, chairman, presiding.

Present: Senators Chiles, Pryor, Domenici, Percy, and Heinz.

Also present: E. Bentley Lipscomb, staff director; John A. Edie, chief counsel; David A. Rust, minority staff director; Deborah K. Kilmer, legislative liaison; Neal E. Cutler and Helena G. Sims, professional staff members; Tony Arroyos, Eileen M. Winkelman, and Betty M. Stagg, minority professional staff members; Donna Maddox, legislative assistant to Senator Percy; Helen Gross-Wallace, clerical assistant; and Joan D. Nielubowski, clerical assistant.

OPENING STATEMENT BY SENATOR LAWTON CHILES, CHAIRMAN

Senator CHILES. Good morning.

With the arrival of the 1978 amendments to the Age Discrimination in Employment Act, Congress ushered in a new era for America's older workers. The mandatory retirement age for Federal employees was eliminated completely, and the age in the private sector was raised from 65 to 70.

Yet, despite this rather dramatic and sweeping change in the law, there is virtually no hard evidence to indicate that substantial numbers of older workers are deciding to delay retirement and work longer. In fact, during the two decades prior to 1978, the labor force participation rate of older workers exhibited a steady decline. Although the trend toward retirement at a younger age appears to have slowed down, there are still large numbers of older persons who are retiring early. I view this trend with some alarm.

At the outset of these hearings, I would like to make it clear that the committee in no way wants to eliminate opportunities for early retirement. For many, early retirement is both necessary and viable. What concerns me is that there are so few alternatives. I believe it is time to encourage more options so that current trends will begin to change.

Some people take the view that it will take a decade, or even a generation, for society's pattern of work and retirement to change. I don't believe we have 10 or 20 years to passively wait for such trends to evolve.

The post-World War II baby boom has been described as a "demographic tidal wave" that has affected virtually every social institution in the United States—from elementary schools to the labor force to the courts and criminal justice system. Much of the dislocation caused by the baby boom's large numbers has resulted from lack of planning and a failure to anticipate problems.

With the legal door now open to end mandatory retirement, and with vast numbers of today's workers due to reach their retirement years at the beginning of the next century, we must begin now to anticipate the new problems that lie ahead. Yet, at a time when older persons are indicating that they want to work longer; at a time when double-digit inflation is eating away at the retirement income of so many; at a time when many workers are questioning the financial integrity of the social security system; at a time when more and more private pensions are in serious trouble; why is it that so little is being done to stimulate work opportunities for older persons?

As the so-called demographic tidal wave enters old age, this Nation cannot simply wait for trends to evolve. We cannot once again be guilty of a lack of planning and a failure to anticipate problems. We must be ahead of the issue, and not behind the problem.

Therefore, in an effort to shed light on this issue of growing social and economic importance, the Senate Special Committee on Aging today begins a series of hearings on "Work After 65: Options for the 80's."

Our witnesses this morning have all developed a measure of expertise in the field of the older worker, and I have asked them to testify before the committee to help us define in more exact terms the extent and nature of this problem.

Our next hearing in this series will be held on May 13, 1980, at which time we will hear from a panel of distinguished corporate executives from private industry. This later panel will focus on how more can be done in the private sector to stimulate additional employment opportunities for the older worker, and how Congress can work in cooperation with private industry to encourage new initiatives in this field.

I would also bring to your attention our committee's hearing entitled "How Old Is 'Old'?" to be chaired by Senator John Glenn on April 30, which will examine the physiological and mental effects of aging on one's ability to learn and work. The committee will be hearing from medical and scientific witnesses who will discuss the varied capabilities of older persons and the techniques being researched for testing their skills.

Our purpose this morning is to learn as much as possible about the problems facing older workers who want to continue working. More specifically, we are concerned about the future implications of current trends and present policies.

It is my firm belief that new efforts to encourage greater opportunities for continued employment for older workers will be both human effective and cost effective. Let us examine these two concepts more closely.

What do I mean by human effective? To provide better opportunities for older workers both before and after age 65 allows people to follow their own desires and preferences—to use their own skills, experience, and learning in pursuit of their own financial and psychological independence.

There is a great deal of clear evidence to indicate that many older citizens want to continue working. What I hear from my constituents in Florida is accurately mirrored in the national scientific public opinion surveys. Some prefer full-time work, while others prefer part-time work to supplement pension benefits—and, of course, some are perfectly happy with full retirement, which is their right—but the evidence of preference for expanded work opportunities is strikingly clear.

The 1974 Harris poll commissioned by the National Council on the Aging asked a national sample of Americans about the issue of mandatory retirement.

Eighty-six percent agreed that nobody should be forced to retire because of age if they wanted to work. There was no difference in this position between people under age 65 and those over age 65.

Four years later, another Harris poll asked the identical questions with similar results: 87 percent of both working and retired persons interviewed agreed that mandatory retirement should be abolished altogether.

The 1978 national survey, however, provides more detailed information about the desire of older persons to have expanded work opportunities, and something also about the frustration which they feel in not being able to work.

Current employees and current retirees were asked what they would prefer as their retirement-work situation. About 25 percent of each group said they would prefer some kind of part-time work after retirement.

But in a followup question, while 25 percent of currently working persons expected to find part-time work when they retired, only 8 percent of the already retired persons were in fact able to find part-time employment.

It is sometimes argued that only the poor among the retired are interested in working past normal retirement age. Results from the Harris survey show this to be a myth rather than a reality.

All retired persons were asked: "In retrospect, assuming you would have had an adequate amount of retirement income, what would you have preferred to do when you reached retirement age?" Forty-nine percent of the retirees said they would prefer to work.

Moreover, of retired persons questioned with incomes under $7,000, 49 percent were either working at the time or would prefer to work; for those with incomes over $15,000, 48 percent either were working or would prefer to work. In short, the desire and preference for work is no different for the better off than for those of low income.

Not only do many persons want to work longer, but considerable savings can result from expanded employment life.

The costs of providing adequate retirement income have already hit home. Continued concern over the financing of social security and the threatened collapse of various pension funds are but two outward and visible examples of the cost problem. To appreciate fully the future cost impact of present policies and trends it is enlightening to examine closely what the current statistics tell us.

We are now all fairly aware that the United States, along with other industrialized countries is an aging Nation. The 1980 census will count some 25 million persons, age 65 and older—more than 11 percent of our total population.

The latest and most accurate population projections from the Census Bureau predict almost 32 million older persons in the year 2000—or 13 percent of the population. When the baby boom, the demographic tidal wave, reaches the traditional retirement age of 65 and becomes the senior boom, the impact will be dramatic. By the year 2030, the United States will have twice as many older persons—in both numbers and percentages—as we have in 1980: 50 million older persons representing 22 percent of the population.

There is even some evidence to suggest that these estimates are conservative. If continued advances in the control of illnesses such as heart disease, cancer, and stroke are made in the next few years, several million additional older people will be counted in these future years.

The impact of the growing size of the aging population upon American society will be particularly devastating if the current low rates of older worker participation in the labor force continue into the future.

There are several notable indicators of the magnitude of early retirement and the lack of older worker participation.

For example, in recent years the majority of new applicants for social security retirement benefits have been 62 to 64 years old, not 65 years old.

More generally, a recent Department of Labor manpower study indicated that whereas in 1947, 48 percent of male workers age 65 and over were in the labor force, this percentage had declined to only 22 percent by 1974. Further, estimates made before the 1978 amendments predict that such participation will drop to 19 percent by 1990.

In summary, the recent and present patterns of labor force participation rates suggest declining employment of the older worker—and a greater vulnerability of unemployment even for those older persons who desire work. In short, we have a paradox. Older persons say they want to continue working longer, and yet they are retiring earlier.

The question of costs in many ways is, in reality, a question of the ability of a shrinking labor force to shoulder the financial cost of a growing older population. What better way is there to ease this problem than by recognizing that millions of older persons prefer to work, and then by providing job opportunities for them?

The generation which follows the baby boom is much smaller in size than the baby boom itself. Indeed, some experts believe that there may be labor shortages as this smaller birth group replaces the baby boom over the next several decades.

In the "Long-Range Budget Outlook," appearing in the President's fiscal 1981 budget, the Office of Management and Budget, in fact, estimated that "during the 1990's, the rate of growth of the labor force is likely to be only about a third of the rate experienced during the 1970's."

What happens when a smaller and smaller work force is responsible for providing for a growing older population? What will the future dependency ratios be? What can we do, now, in 1980, in advance of possible economic problems and dislocations, to anticipate this situation?

Demographers use a measure called the dependency ratio to map trends in the relative sizes of groups of workers and retirees. Using the traditional retirement age of 65, this ratio has been changing significantly over past decades. In 1930, there were only 9 retirement age persons for every 100 working age persons in the United States. This had doubled by 1970, to 18 per 100. By the year 2000, this ratio will be about 20 retirement age persons per 100 working age persons.

In 2030, however, the experts see a dramatic jump to 32 per 100 as the baby boom becomes the senior boom.

Two main factors contribute to these rather striking trends. One is the size of the older and younger age groups. The other is the age at which retirement actually takes place—that is, the age at which people move from the worker side of the equation to the retirement side.

We have little or no control over the population size, but we can influence the age of work and retirement.

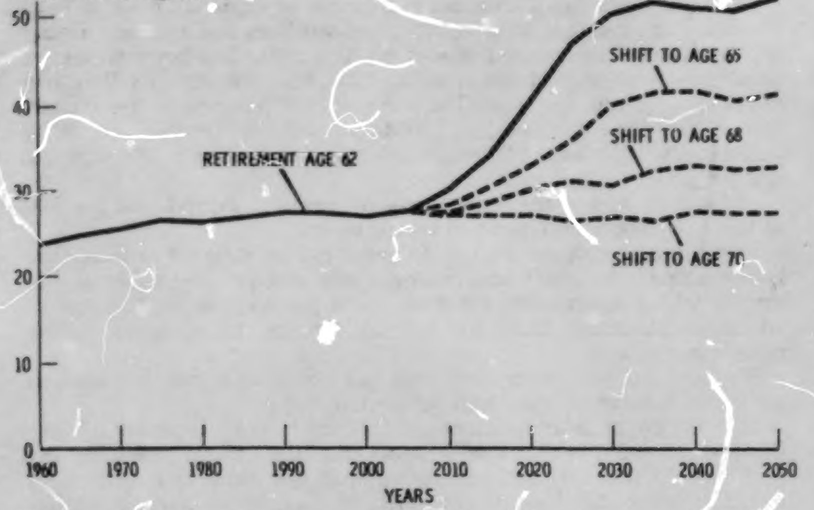
The Office of Management and Budget has prepared a very interesting chart which I will insert into the record following my remarks. In short, this chart shows that the older the retirement age, the lower the dependency ratio. In fact, if the average retirement age is raised to age 70, the dependency ratio will stay constant for the next 70 years. However, if the average retirement age remains at the present level of 62, the dependency ratio could double between now and the year 2030.

Now I am not a statistician and I note this chart only as an illustration of a more fundamental fact, something which is directly relevant to 1980, and the next few years. No one is suggesting that people be forced to work until age 70 or age 68, or whatever. What we are saying is that expanding job opportunities for older workers is cost effective for our country. For those people who want to continue to work, we must start now to investigate new opportunities, to develop new practices, and to expand existing successful options for the older worker.

[The chart referred to follows]:

DEPENDENCY RATIOS

Persons at Retirement Age
Per 100 People of Working Age
Census Series III Projection



Source: OMB Technical Staff paper, by Doug Norwood

Senator CHILES. Senator Domenici.

STATEMENT BY SENATOR PETE V. DOMENICI

Senator DOMENICI. Mr. Chairman, I am pleased to have the opportunity today to make a few brief remarks as we open the first of a two-part hearing on "Work After 65: Options for the 80's."

The major problem affecting older persons today is an economic one—inflation poses the greatest threat to the economic security of all older Americans. It was this concern which prompted me to come to you, Mr. Chairman, in January of last year and suggest that this committee give special attention to a broad range of economic, budgetary, and policy issues affecting the financial security of older persons. The result was an extensive work done for us by the Urban Institute which identifies and analyzes the major policy issues relating to employment, retirement income, pensions, and income maintenance. This comprehensive study will guide us as we begin today with this hearing to deliberate these complex and challenging matters.

One way we can help our older citizens to cope with inflation—and combat that inflation by increasing productivity at the same time—is to allow older workers to remain in the work force for as long as they are willing and able. My personal opinion is that an individual should be permitted to work as long as he or she desires and is capable of doing so. I am very pleased that the rights of older workers to remain productive in the work force for longer periods of time are now being recognized.

In looking toward the future we need to realize that older people constitute a valuable employment resource that we cannot afford to push aside. Today's generation of older persons fought in our wars, worked in our factories, and on our farms, and were, through their diligence, responsible for the prosperity we all enjoy today. If we, as Government policymakers, meet our obligation to accommodate the employment desires and needs of these older workers, they can help all of us to build a still stronger, more prosperous, and more economically viable country in the future.

Senator CHILES. Thank you. We are delighted today to have a panel which I think is most qualified to speak to this subject. On our panel we have Dr. Harold L. Sheppard, Counselor to the President on Aging, and director, Center on Work and Aging, American Institutes for Research; Dr. K. Warner Schaie, director, Gerontology Research Institute, Andrus Gerontology Center, University of Southern California; Michael D. Batten, consultant, Center for Studies in Social Policy, University of Southern California; Jerome M. Rosow, president, Work in America Institute, Inc.; Karl Kunze, chairman, National Institute on Age, Work, and Retirement, National Council on Aging; and Dr. Thomas C. Woodruff, Executive Director, President's Commission on Pension Policy.

Senator Pryor is also with us this morning.

Senator Pryor, do you have any comment?

Senator PRYOR. I think the hearing is most timely. I agree with what you have said and certainly thank you for calling this hearing.

I do have a statement, Mr. Chairman, I would like to submit for the record.

Senator CHILES. All right. Your statement will be made part of the record at this point.

[The statement of Senator Pryor follows:]

STATEMENT BY SENATOR DAVID PRYOR

Mr. Chairman, I feel it is most appropriate to begin by commending you this morning for chairing the first in the series of hearings on "Work after 65: Options for the 80's." We are grateful to you for your leadership in an area that is most relevant and pertinent to our current economic and social times.

As we begin a new decade, it is important to start taking seriously the fact that the baby boom generation of post-World II will create a senior boom by the year 2000, with effects far greater, I am afraid, than current predictions estimate.

The impact of inflation on retirement income, the questions on the soundness of the social security system, the reports on the trouble of private pensions, and the fact that many elderly want to continue to be active, all need to be taken into consideration in the reevaluation of the working world.

With the elimination of mandatory retirement for Federal employees, raising the age from 65 to 70 for private industry, and the fact that the trend to retire early is slowing down, the fact remains that large numbers of elderly are still retiring early. We need to examine how we can stimulate and encourage the elderly to continue on as workers. The elderly are a valuable resource and one that needs to be fully utilized and we can only benefit from their continued contributions to the working world.

Mr. Chairman, I'm afraid a big part of the problem lies in the way many of us perceive the subject of age. Many times we feel once a person hits that age of 65, the individual goes through some metamorphosis and emerges as a different person. Therefore, in many instances it is decided that this person cannot or should not continue to work. They then retire, and as ample clinical evidence shows, physical and emotional problems can result due to the denial of employment opportunities.

The attitudes of us all must be altered—we must help put an end to the stereotyping of the elderly. We must help to prove that the myths of poor health, loss of energy, higher accident rates, lower productivity, and other such mistaken ideas do not necessarily pertain to the majority of older Americans.

Mr. Chairman, I think it is time to heed the warning that retirement and old age in the future will not be the same as it is today. It will be our responsibility to help decide just what role Government should take. I am anxious to hear from our witnesses today and hope that our efforts here and on May 13 will result in a better understanding of what our options are and what plan of action we must take to encourage the elderly to continue to work after 65 and remain an active part of our society.

Senator **Chiles**. Please proceed, Dr. Sheppard.

STATEMENT OF HAROLD L. SHEPPARD, PH. D., WASHINGTON, D.C., COUNSELOR TO THE PRESIDENT ON AGING, AND DIRECTOR, CENTER ON WORK AND AGING, AMERICAN INSTITUTES FOR RESEARCH

Dr. **Sheppard**. Thank you.

I have seven quadrupled pages of my statement and about 10,000 marginal notes which will take up another 37 minutes. I will do my best.

I want to apologize first of all for not having a prepared statement in advance for the staff and for the members of the committee but as you have said, I am in the middle of switching jobs which is an imposing task. Trying to get out from under one and into another was more than I expected and I should have expected it.

I also want to say something about the importance of this committee, having once been a member 19 years ago of the staff as its first research director, and then the staff director, from 1959 to 1961. I think its role in the Senate is one of the most important because it straddles all of the other legislative committees.

I am very happy to be at a hearing where, if my statistical memory is correct, we have Senators from the two States which have, I think, the highest percentage of aged in their populations. I don't think I have been at a hearing where both Florida and Arkansas were represented before.

I would like to start out my brief statement by describing what is in my view a sort of schizophrenic quality in our country's policies, values, and programs regarding the issue of work and retirement. Let me quickly insert the thought that schizophrenia is not a monopoly of the United States. I see the same thing in the five European countries included in a project I have been directing, on the future of retirement age policy, with support from the Administration on Aging and the German Marshall Fund of the United States.

The policy schizophrenia lies in the dual phenomenon of one, a policy and program position stating that older workers have a right to employment as long as they are willing and able to continue to work, reflected in part by a limited employment program for low-income older workers; by the passage of the Age Discrimination in Employment Act amendments; by a low level of private sector interest, possibly but not definitely growing—and I expect Mr. Rosow will comment on that and correct me, I hope—an interest in retaining or hiring elderly men and women; in contrast to, to complete this schizophrenic couplet, and two, a more persuasive policy and pattern of behavior that encourages or forces directly or indirectly early retirement; and a deeply held belief system that states that so-called older workers should retire—and the earlier the better—in order to solve the problems of employment and promotion ambitions of so-called younger workers.

This belief system is further reinforced by notions that anything that enhances the employment security of older workers is ipso facto a detriment to the employment chances and security of women and minority groups.

My comments on this situation will be brief and succinct.

One: There is no clear-cut evidence that a forced draft policy of early retirement is a neat solution of other groups' job problems. I recommend to you the report by the Urban Institute, put out by the administration on that issue. I also remind you that the more people we put out to pasture with lower incomes, the more we reduce the level of decent purchasing power for the aggregate economy.

Two: I really don't understand the argument about injury to women and minorities. It's a little bit like saying, "If it's hot in the summertime, it must be cold in the cities." In other words, are there not older persons among females? I am asking an obvious question. Are there not older persons among blacks and Spanish-speaking men and women? You know what the answer is.

The further irony in all this lies in the fact that over the next 10 years, the fastest growing age segment protected by the Age Discrimination in Employment Act—people 40 through 69—will be nonwhites. By 1990, nonwhites 40 to 69 years old will have increased by over 26 percent, in contrast to less than 13 percent in the case of whites in the same age group. Does it make sense for anyone truly to believe that this act has a built-in bias against nonwhites, given these demographic realities?

I should also add that the teenage nonwhite population—during the same decade—will actually decline by over 2 percent. The teenage white population decline will be much more dramatic, 22 percent.

But given these kinds of unchangeable facts, sophisticated labor market analysts and personnel directors know that early retirement incentives can only lead to personnel shortages. You can't grow more teenagers between now and 1990. It's too late, unless you know of something going on in the backrooms in the laboratories that they have not told us about. And you don't make overnight more skilled and semiskilled, highly productive workers that will in all probability be needed in our private and public sectors to maintain the economic base necessary for what we call the American lifestyle, highly productive workers who will be in short supply if we continue our current retirement age policy.

It is possible to have a shortage in the labor market and still have discrimination. There is a lag phenomenon involved in the emergence of the shortage and the shift to positive employment policies. This is all on the macroeconomic level of analysis. I am not going to delve here, because of time, into the personal and individual reasons for workers wanting to or needing to continue in the productive lifestream of our society and economy. I would like, however, Mr. Chairman, to ask permission to submit a report that we did at the American Institute for Research for the General

Electric Foundation on the characteristics of people who would postpone retirement after the age of 65.

Senator **Chiles**. We will be delighted to receive the report.[1]

Dr. **Sheppard**. Thank you. Neither do I need to spell out to this committee the benefits to our social security system that derive from putting a brake on the growing number of men and women otherwise eligible for retired worker benefits. The same principle applies to the retirement income systems of Federal, State, and local governments, and it is equally applicable to our private pension systems.

I will leave to Dr. Woodruff of the President's Commission on Pension Policy the business of commenting on the issues surrounding the world of private pensions. But I feel impelled at least to say the following, and it is something with which I shall be concerned in my new position as Counselor to President Carter on Aging at the White House.

I firmly believe that this country has been subjected to an overpreoccupation with the real and imagined—and contrived—problems of our firmly established social security institutions, and that this preoccupation tends to blunt the level of concern and attention that should be paid to the private pension dimensions of our retirement income systems in America.

All of the components of that system, including social security, must face up to the issue of the future of retirement age policy, as long as certain demographic, biomedical, and economic factors and trends continue to characterize the current and near future decades. In this connection, it is important to remind ourselves that the working age issue is not some idiosyncratic phenomenon unique to our country. In one way or another, all industrialized societies, especially in the West but not simply in the West, are undergoing reexamination of their retirement trends in the light of demographic, biomedical, and economic developments.

We should be proud of our social legislation in such fields as age discrimination, and in this respect we might be quite unique judging from the reactions I have garnered from other countries. No other country to my knowledge has passed a law concerning age discrimination.

We should be proud of the fact that we have gone a long way toward reducing poverty among our elderly parents and relatives, but we must not use that fact as an argument, now emerging in some circles in this country, that the aged of this country are better off than they deserve to be, and that we need to put a stop to, and even go backwards in, our developing system of providing a decent retirement life especially to the very old, those really not eligible for continued paid employment in our society.

I don't need to tell you the details of this very old elderly population explosion. Over the next 20 years, for example, the 80-plus population will increase by over 55 percent. This is the graying of America. The 65-plus population as a whole is only going to go up by 10 percent.

Finally, throwing out another statistic, the group we are most concerned with in this hearing, the 65 to 69 group, it is only going to go up by less than 6 percent. So when I hear all the talk and the fuss and bother about the horrible consequences of passing the new Age Discrimination in Employment Act, and then look at how many more people there will be in the 65 to 69 age group, I have to say that the opponents to this legislation, the people dragging their feet on compliance, don't know what they are talking about. The numbers involved are too trivial.

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[1] See appendix, item 1, page 6[illegible].

We have an ethical commitment to the goal and the value of achieving and maintaining a decent way of life for the very old and that means also that we have to make every effort to keep the young-old in the labor force as one more source of support necessary to make that commitment a real and manageable one.

I will end there, Senator, but I have a lot of other comments as to the specific steps that might be considered and I hope that that can come up in the panel discussion.

Senator Chiles. All right, sir.

Dr. Schaie.

STATEMENT OF K. WARNER SCHAIE, PH. D., LOS ANGELES, CALIF., DIRECTOR, GERONTOLOGY RESEARCH INSTITUTE, ANDRUS GERONTOLOGY CENTER, UNIVERSITY OF SOUTHERN CALIFORNIA

Dr. Schaie. Previous hearings of this committee have brought out in detail the demographic changes in our population and the potential implications of changes in mandatory retirement practices. These matters, I am certain, will also be covered by other panel members. I would therefore like to be rather narrowly focused in my comments.

First, I propose to discuss some of the prevalent myths and stereotypes that seem to affect public opinion and policy regarding the desirability and feasibility of continuing full or partial employment past the age of 65. Emphasis will be given to the question whether the older worker is at a disadvantage because of a systematic age-related decline in the competencies required to perform his or her job, or whether the older worker compares unfavorably with younger peers because of inadequate training or obsolescence.

Data from a 21-year longitudinal study will be presented which relates to this question, and their implication with respect to the need of individual appraisal of work capability and for the need of educational intervention to overcome obsolescence caused by generational differences in training and career opportunities will be considered. Finally, some realities of the older worker will be examined with regard to implications for necessary changes in work schedules and environments mandated by an older work force.

When only a few people attained an old age they were respected and honored for the mere fact of their rarity. When societal change was slow, the old provided continuity across the generations and their experience was valued because they could tell the young what their life as adults would be like. Since the attainment of old age has become a common expectancy for most, and since societal change nowadays occurs at a tremendous rate, we tend to focus not on the wisdom of the old but on their frailty, their obsolescence, and the burden which they may impose on the rest of us. Thus, while beliefs about some societal groups tend to be idealized, those about the aged generally tend to be more negative than the facts would back up. Of course, the longer we live, the greater is the possibility of accidents, disabling disease and other personal catastrophies. But such possibilities need not be and are not realities for most of our elderly citizens.

Of the many myths abounding about the older worker, I will here discuss five of the most important ones: Poor health, higher accident rates, lowered productivity, reduction in learning ability, and lowered value of retraining.

There is no gainsaying that old age increases the probability of disease and that people over 65 are sick more often, require longer hospitalizations, and are restricted in their activities more often than the young. But disproportionately a large number of the sick elderly are those above 80 years, and not the young-old, those in their sixties and early seventies. Illnesses of the elderly are more frequently of a chronic nature; they require extended treatment and often become more like conditions of life than acute illnesses. Many older people learn to cope very well with the limitations imposed by chronic illness. Given such adaptations, it is interesting to note that more than 80 percent of the elderly are able to conduct their lives with few restrictions upon their activities which would be caused by the state of their health. There is evidence, moreover, that successive generations will enter old age in better physical condition. For example, the conquest of infectious diseases will cause present young adults to reach old age in much better shape than is true of today's elderly. We can thus predict that in the near future, disease will cease to be a major factor in reducing the work capabilities of older individuals prior to the eighties.

Some physical changes, however, are of importance. For example, reaction time slows with age, fatigue sets in sooner, vision and hearing become less effective, and muscle strength is reduced. Corrective measures of an individual kind, and more careful structuring of the work environment and work schedules, however, can largely compensate for most individuals. Large individual differences and widely differing job demands suggest that these physical changes will be trivial for most workers in most jobs, but may be of substantial importance in some jobs, and indeed prohibit employment in others—for example, aircraft controllers. These individual factors are unlikely to interfere seriously prior to the late sixties, but become increasingly important as the midseventies are reached.

Employers have argued that hiring and retraining older workers may be an excessive risk because of the increased number and severity of accidents. The evidence suggests that there is hardly an increase in accidents with age, what changes may be the types of accidents. For example, Sheppard, 1978, reports that older workers are more likely to be involved in falls, but less likely to be injured in misusing machinery. Birren, 1964, earlier concluded that older persons have fewer accidents which could be avoided by judgment based on experience, but more accidents due to failure to take quick evasive action.[1] Thus, while in general, older workers tend to have fewer accidents than the young, there may be some industrial situations in which they present either a greater hazard, or no hazard at all, depending upon the specific work environment.

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[1] Harold L. Sheppard, "The Search and Development Strategy on Employment Related Problems of Older Workers." Washington: American Institutes for Research, 1978; James E. Birren, "The Psychology of Aging." Englewood Cliffs: Prentice-Hall, 1964.

It has been argued that older workers show decreased productivity because they are slower, are absent more frequently and because their loyalty to their employers' goals has decreased. Employers might therefore, be better off, to retire their older workers and replace them with younger and presumed to be more eager and committed employees. Many studies of this problem suggest that there are wide individual differences in productivity, but these are not systematically related to chronological age. Where modest relationships have been found, they are typically in favor of the older, more experienced group. Studies by such diverse groups as the New York State employee system, a department store, and a printing firm suggest that attendance is better for older workers and output does not change substantially, particularly if pace of production can be controlled by the older worker. In other words, even the slowing accompanying increased age is often more than offset by workers' improved skill, knowledge, and dependability.

Increased age is often thought to lead to greater rigidity of established behaviors and consequently the inability to learn new skills which may be essential for maintaining one's viability as a productive worker. Learning ability has most often been measured by assessing performance on intelligence or ability tests. Early cross-sectional studies comparing people of different ages suggested that intelligence peaks in young adulthood and declines thereafter. Such studies are misleading, however, because the older comparison groups typically had less schooling than did the younger. Because of the generational differences in educational preparation, older persons often compare unfavorably with their younger peers. But this difference is likely to be due to obsolescence rather than senile decline. When the same persons are followed over time, it is found that many abilities increase into midlife and show no decline until the late sixties. Moreover, the pattern of change is not identical for all abilities.

In our own research, we have followed successive groups of people for as long as 21 years. From these longitudinal studies it has been possible to prepare estimates of performance of people at successive ages as a proportion of what they would have produced at age 25. Table I shows these performance changes for five different ability measures. Although age decrements occur reliably by age 60 for some measures—those involving speedy response—these drops are quite minor until the seventies are reached. In fact, the average performance, even by age 81, does not drop below the 25th percentile of the 25-year-olds, except for the measures involving quick response—vocabulary recall and speed of addition.

TABLE I.—PROPORTION OF PERFORMANCE AT BASE AGE 25 FOR SUCCESSIVE AGE GROUPS

[Age 25 = 100]

Age	Sample size	Recognition vocabulary	Spatial orientation	Rule identification	Speed of addition	Recall vocabulary	Index of educability
32	(109)	105	104	102	107	102	104
39	(184)	109	105	104	104	102	107
46	(255)	111	108	104	103	104	108
53	(261)	112	108	104	101	99	108

TABLE I.—PROPORTION OF PERFORMANCE AT BASE AGE 25 FOR SUCCESSIVE AGE GROUPS—Continued

[Age 25=100]

Age	Sample size	Recognition vocabulary	Spatial orientation	Rule identification	Speed of addition	Recall vocabulary	Index of educability
60	(275)	111	106	104	99	95	107
67	(231)	105	99	97	87	91	101
74	(181)	96	89	87	75	84	92
81	(88)	85	79	80	56	74	83
Lower 25 percentile at age 25		85	72	83	74	84	86

It may be concluded then, that for many jobs, and most workers, capabilities and learning ability remains sufficiently high until the eighties are reached. Because of the many different combinations of job demands and individual ability patterns, much research remains to be done to determine the best matches between such individual patterns, jobs, and working conditions.

We have just suggested that the old myth that "old dogs cannot learn new tricks" simply is not true for most of us until the very end of life. Nevertheless, employers frequently feel that resources employed for on-the-job training or career development should be reserved for their younger workers. And further, when specific work roles change, it is thought to be more economical to hire a new set of younger workers instead of retraining the existing work force. True enough, older workers take somewhat more time to learn new skills, but when retrained they are likely to stay on the job longer, have better attendance records, and are more reliable.

From our studies of age changes in intelligence we can also address the issue of comparative educability at various ages; that is, the relative likelihood of benefiting from formal instructional programs. Referring to the last column of table I, it will be noted that likelihood to benefit from education is as high at age 67 as it was at 25.

Just as we would not expect educational technologies developed for kindergarten children to work with college students, we know that the older person requires different learning approaches than does the young adult. There is now a substantial body of research to give us clues on how the older and younger adult differ in effective learning approaches. For example, we know that in teaching older learners we must build on past experience, must assist the learner in developing memory strategies, give positive feedback, encourage active participation, allow self-pacing, and above all provide a supportive environment. Unfortunately, however, these principles have not yet been applied consistently in most training situations.

A matter of great relevance to these issues which is often overlooked is the rapid pace of favorable changes which have occurred in our society over the past half century. For the old, however, these changes mean an increasing degree of cultural and technical obsolescence. Consider the fact that the basic education of today's retiree was typically at the eighth grade level, amounting to an average of 5 years less than that of current entrants into the work force. This education occurred when many of the basic issues and facts in today's world of work had not even been thought of.

Just as we can use long-term studies of human abilities to gain evidence change in performance with age, so we can use these data to estimate differences between successive generations in ability levels at young adulthood. Table II provides information on this issue of generational differences for the same skills for which we gave age data above. Here we compare the performance level of successive population cohorts—with birth years from 1896 to 1945—with a young adult cohort born in 1952. Note that these changes are complex. For example, there are few generational differences on skills such as addition or recalling words, but substantial differences favoring the more recent generations on skills such as spatial orientation and the identification of rules, skills which are exceedingly important in today's technological society.

TABLE II.—GENERATIONAL DIFFERENCES EXPRESSED AS PROPORTIONATE PERFORMANCE OF OLDER COHORTS AS COMPARED TO A COHORT BORN IN 1952

[Cohort 1952 = 100]

Cohort birth year	Sample size	Recognition vocabulary	Spatial orientation	Rule identification	Speed of addition	Recall vocabulary	Index of educability
1945	(133)	96	110	102	108	96	98
1938	(238)	92	112	100	113	89	94
1931	(351)	91	100	91	112	90	94
1924	(384)	94	102	90	122	98	93
1917	(387)	90	97	82	120	101	88
1910	(361)	88	96	80	122	102	86
1903	(353)	85	89	73	115	105	80
1896	(345)	79	84	67	107	105	74
Lower 25 percentile for 1952 cohort		83	71	80	74	83	84

Note that the data on generational differences do not imply that the older people have lost skills, but rather that they are at a disadvantage in not having reached a level sufficiently high for today's needs in the first place. Note further that the educability index for the older cohorts is sufficiently high to suggest that educational intervention is warranted to overcome this gap.

Changes in mandatory retirement laws and the general upward shift of the age pyramid will lead to an increase in the average age of the work force as well as to a marked increase of workers at the older end of the age scale. How then must we react to this inevitable development? First, we must pay greater attention to optimal work environments. The young organism has much greater latitude to function under unfavorable circumstances than does the old. Consequently occupational safety considerations need to be expanded to take account of the somewhat lessened visual and auditory capabilities of older workers, to mandate suitable environmental compensation. Some paradoxes may be produced thereby. For example, energy saving temperature controls in public buildings may be energy expensive because they may reduce productivity in older workers by placing undue stress on the lessened adaptive capability of the older persons to sudden changes in temperature.

Second, if we expect to extend the worklife of many individuals, more attention must be paid to the matter of obsolescence. It is essential to spread our investment in education more evenly over the lifespan. In times of fiscal constraints, adult education and career retraining tend to get short shrift. This, of course, is economic myopia. The new Department of Education should be strongly urged to investigate the deployment of educational resources such that the reality of lengthened life and work in a rapidly changing society can be dealt with more rationally. While it may not be realistic to move a year of compulsory education from the teens to the sixties, public education must accept the fact that opportunities for the older learners are not frosting on the cake but essential contributions to insuring continuing productivity for our Nation.

Third, as has already been brought out in previous hearings of this committee, considerable attention by private and public employers must be given to flexible modes of work and retirement. As has been stressed earlier, the physical and psychological changes occurring with advancing age do not lead, for most, to dramatic drops in ability to function and be productive. But they do lead to progressive lowering of energy levels and capability to cope with stressful situations for extended periods of time as was possible at earlier life stages. Adaptations in work schedules which permit a gradual reduction of workload and time but which assure maintenance of part-time employment to advanced age are likely to conserve substantial talent under optimal conditions.

Incidentally, if we manage to develop traditions of part-time and shared jobs to deal with the problem of the older worker, we may also be creating models which will be equally applicable for the needs of women with young children, and thus solve some of the problems which seem to assault the stability of the modern family.

Finally, I would like to stress the need for greater support of research and demonstration activities which will expand our knowledge base to find the best match between individual needs and opportunities and the necessities of our economic system. A large investment has been made, for example, in developing suitable assessment methods for educational and vocational placement of children and young adults. Unfortunately these methods lack validity for our needs with older workers. Yet, having abandoned chronological age as a criterion for ending a person's worklife, other objective criteria must be substituted, and fair methods for their implementation must be developed, to protect the older worker, and to insure that our economy continues to function effectively. Similarly, much increased efforts are needed to develop the most effective methods for retraining older workers and for developing methods and programs to maintain optimal motivation and performance throughout the worklife.

Thank you.

Senator CHILES. I would like to call to your attention another hearing of our committee which is going to be held on April 30 in this same room. That hearing is going to be entitled "How Old Is Old?" and cover the effects of aging in learning and working. The hearing will be chaired by Senator Glenn and we will receive testimony from several societies, including Dr. Schaie. Primarily this hearing will compare the health and mental capabilities of today's older persons to those of years ago, so I will be glad to have you back again with us then, Dr. Schaie.

Senator HEINZ. Would you yield to me for not more than 60 seconds?

Senator CHILES. Certainly.

STATEMENT BY SENATOR JOHN HEINZ

Senator HEINZ. Mr. Chairman, I want to commend you for holding this hearing at this time on the questions of employment and our senior citizens, the questions of retirement, the questions of how we can best move forward with the first step we took in the 1978 Age Discrimination in Employment Act Amendments. I think these are absolutely essential issues for us to come to grips with.

It is going to be exceedingly difficult to define what other criteria we ought to establish if we are able to lift, as I sincerely hope we can, the age 70 mandatory retirement age. I believe that that age limit of 70 is prima facie discrimination—a tragic prejudice against senior citizens. That is why, Mr. Chairman, I think what you are doing is so very important. I commend you.

Senator CHILES. We are delighted to have your participation.

Senator HEINZ. I ask that the full text of my prepared statement be included in the record.

Senator CHILES. Your statement in full will be included in the record.

[The prepared statement of Senator Heinz follows:]

PREPARED STATEMENT OF SENATOR JOHN HEINZ

Mr. Chairman, I welcome the opportunity that this hearing presents to explore some of the creative options for persons over the age of 65 to remain productive, contributing members of society. Although many people look forward to retirement from work, significant numbers of older persons wish to continue employment beyond the official retirement age. As our exploration of this matter commences, I would like to state the basic principles which will guide me in my consideration of the comments and testimony presented:

> Compulsory retirement on the mere basis of chronological age is, quite simply, discriminatory.
>
> Our older Americans *must* be afforded an equitable array of employment opportunities from which to choose.
>
> We must not arbitrarily or capriciously separate our senior citizens from the work force and a steady paycheck; and
>
> We, as a society, cannot afford *not* to tap the valuable resources that our older population offers.

Mr. Chairman, I would like to briefly elaborate on my concerns about each of these points.

I believe that no one should be forced to retire simply because of their chronological age. Many older Americans desire to continue employment, for a variety of reasons. Some wish to work simply because they need additional income; others have never learned to make constructive use of leisure time; still others are energized by the social interactions and challenges accompanying work. The Age Discrimination in Employment Act, extending the mandatory retirement age to 70 for most workers (and eliminating it entirely for those in the Federal service), is a great step toward permitting senior citizens to continue working. It is a victory against ageism in the struggle for economic equality for older people. In fact, I would like to see the upper age limit removed and other methods developed for measuring the functional capacity of workers for continued employment.

In a study of the effects of mandatory retirement, the American Medical Association reported that: "Compulsory retirement robs those affected of the will to live full, well-rounded lives, deprives them of the opportunities for compelling physical and mental activity, and encourages atrophy and decay * * * Compulsory retirement on the basis of age will impair the health of many individuals whose jobs represent a major source of status, creative satisfaction, socialization, or self-respect. There is ample evidence that physical and emotional problems can be precipitated or exacerbated by denial or employment opportunities. Few physicians deny that a direct relationship exists between enforced idleness and poor health."

The enforced retirement age is, however, not the only factor inhibiting the employment of thousands of potentially productive workers. An adequate supply of appropriate job opportunities for these people, constraints in employee retirement and benefit systems and disincentives in the social security system all affect the decision to retire.

I have long been an advocate of providing the maximum number of options for full- and part-time employment, shared jobs, retraining, second careers, and even third and fourth careers for those desiring them.

Another factor which must be considered is the great challenge of providing economic security to our older population in view of both the changing age distribution of the work force and the projected increase in the number of older Americans. Due to continuing trends toward early retirement combined with increased life expectancy, many people are spending more and more years in the status that we currently define as retirement. For example, a person retiring at 55 years of age today may live another 20 to 25 years.

The questions which we must address today are whether our better educated, more healthy, more mobile citizens will welcome this extended period of unemployment; and in the face of increasing inflation, will they be able to afford it? Furthermore, can we afford, as a society, to let this vast resource of skills, talent, and abilities be underutilized by involuntary exclusion from productivity?

Increasing numbers of older people without adequate incomes put a strain on our retirement systems and other public benefit programs. Instead of pushing people into earlier and earlier retirement, we must examine incentives to help them to remain in the work force. I hope that we will hear more today, and as we pursue this series of hearings, about how we can provide these options.

Senator CHILES. Mr. Batten.

STATEMENT OF MICHAEL D. BATTEN, FAIRFAX, VA., CONSULTANT, CENTER FOR STUDIES IN SOCIAL POLICY, UNIVERSITY OF SOUTHERN CALIFORNIA

Mr. BATTEN. Mr. Chairman and distinguished members of the committee, it is a pleasure to be here today to testify and discuss this important matter of age, work, and alleged retirement norms. My statement has been given to the committee and I would like to summarize.

Senator CHILES. Your statement in full will be made part of the record.[1] We will appreciate you summarizing your statement.

Mr. BATTEN. Thank you very much.

I think what you have heard a lot about in these hearings and will continue to hear about are the changing age profiles in our population in the labor force and how down the line somewhere we will really have to deal with this employment issue because so many people will be living in full retirement status. You have heard of limited pension and social security systems that are going to face us down the line. You have just heard Dr. Schaie testify that older people are capable of working beyond the normal retirement age. You also will hear about companies that are adapting policies to accommodate the abilities of older workers.

What you have not heard about is the day-to-day problems of age discrimination in employment. This is a very serious obstacle in the way of older workers and what Congress has given to the older individuals in terms of the Age Discrimination in Employment Act is a flawed instrument. I don't mean to criticize Congress because this is at least a first step.

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[1] See page 21.

What we seem to be facing here is the development of a new civil rights movement. Back in 1964, Congress passed the Civil Rights Act and title VII of that act protected the employment rights of blacks, women, and other minorities, and employers could not use these surrogates to exclude them in any of the privileges, conditions, and terms of employment. However, age was not protected at that time and instead Congress recommended that a report be prepared and submitted to the Congress as to the existence and prevalence of age discrimination. This report compiled by the Secretary of Labor was indeed submitted to Congress in 1965 and it is one of the most extensive reports documenting the systemic fact of age discrimination in our employer community ever developed and it is too bad we have not had more of them, quite frankly. The report's findings underscored facts that we already know, that the older an unemployed individual is, the longer it is going to take that individual to reenter the labor force.

In surveying employers involved in this study they blatantly admitted that they put age stipulations on job orders and they didn't want applicants over the age of 45. They could easily do that because there was no law to prevent the practice except a few State statutes. Congress then legislated the Age Discrimination in Employment Act in 1967. In essence the law prohibited age discrimination in hiring, promotion, and job transfer, and all the terms, conditions, and privileges of employment. But then a number of exceptions developed.

First of all there was a limit from age 40 to age 65 and maybe that was what the Nation was able to accept that we would prohibit some discrimination and discriminate, if you will.

Section 4(f)(1) which allows an employer to refuse to hire and allows an employer to terminate an individual if age constitutes what is called a bona fide occupational qualification—BFOQ—that is, if an individual is judged by an employer because of age to be incapable of meeting certain job demands. Therefore, they don't have to be hired or if an incumbent can't hack it any more and in a strenuously demanding job, then the individual can be terminated or forced into retirement.

Congress gave the employer community a two-edged sword to discriminate. What I think happened, as we look at the history of the litigation, was a self-fulfilling expectation—that judgments were made in certain occupations such as police, firemen, or pilots, for example, or any job that allegedly had physical demands that age became an automatic surrogate for excluding the individual. All the litigation in this area has been detrimental, for the most part, to older workers.

The first case was the infamous *Greyhound Bus* case. Greyhound had, and still has, the policy of not hiring workers over 35. The case was litigated against Greyhound and Greyhound won in the courts. The issue was not resolved on the ability of an individual aged 35, 45, 55, or 60. Greyhound admitted that the older busdrivers had the better safety records. When an accident occurred on the highway the older busdriver could get out and calm things down; he had learned by experience. But no individual over 35 was hired, not to speak of 40, or no one would retain an individual beyond age 65 because it was assumed that the individual would not be able to perform that job.

The same thing holds true for the pilot. I hear people complain that we better not let any pilot fly who is over 60. Would you permit a pilot to fly if he were 80? My answer is I don't know about an 80-year-old but maybe a 62-year-old or a 65-year-old might not be too bad.

That is not the only problem with this act. Many of the cases that are being litigated, again revolve around this issue of performance appraisal, where the jobs involving older workers are not physically demanding but where a so-called BFOQ exclusionary rule of performance standards can play the same role. That is, if management looks at an older worker and decides he or she is not carrying his weight, then they will introduce a practice that will either demote this individual or terminate them on the basis of performance standards. Many of these standards are ill-defined and subjective. The battles in the courts have upheld employer judgment that they know what the demands of the jobs are and what the performance qualifications ought to be. On the other hand, the courts have ruled against purely subjective application of performance standards but it is by no means clean or clear.

What the litigation is suggesting is that Congress has to look over what it put in motion and really consider a drawing up of a whole new Age Discrimination and Employment Act, not just raising mandatory retirement. What the older worker seems to have is half a loaf. You cannot discriminate against a black because he or she is a little black, you cannot discriminate against a Chicano because he is a little bit Spanish and you cannot discriminate against an individual because he is a little Catholic, a little Protestant, or a little Jewish. But you can discriminate against an individual because he or she is a little old.

The courts have tended to lean toward the employer, figuring that they are not management experts. I think that older workers are really getting the shaft under this discrimination law and I think it needs a whole new dimension.

In summing it up, I would like to just repeat what a Federal district court judge said about the Age Discrimination in Employment Act and the way it is applied now. This was based on a decision involving Westinghouse Corp. on a charge of age discrimination. The Federal judge stated in part:

> An age-related BFOQ, the bona fide occupational qualification clause and rules, permits an employer to admit that he had discriminated on the basis of age but to avoid any penalty, because the establishment of a BFOQ relating to age justifies an employer's violation of the heart of the ADEA, allowing him to apply a generally exclusionary rule to otherwise statutorial protected individuals solely on the basis of class membership.

When a Federal judge says that the act itself permits an employer to exercise an action which is a violation of the heart of the law itself, I think it is really time for Congress to take a close look.

In concluding, I would like to simply note what a friend of mine in the corporate community once said. He said that age discrimination, this ADEA and older workers in the 1980's constitute a sleeping giant. We don't want to go through what we had to do with blacks and with women in pursuit of civil rights and equal pay and other kinds of things. My feeling is that the employer-community learned and should avoid the adversary relationships that will arise between them and older workers as time goes on. By then the issue can be decided and resolved in a positive way. I hope this will happen in the coming years.

Thank you very much.

Senator CHILES. Thank you, Mr. Batten. Your prepared statement will be inserted into the record at this point.

[The prepared statement of Mr. Batten follows:]

PREPARED STATEMENT OF MICHAEL D. BATTEN

Mr. Chairman and distinguished members of the committee, my name is Michael Batten and I am an independent consultant to industry and Government on employment and retirement policies affecting both management and older workers. In this capacity I've had the opportunity to deal directly with personnel systems and functions which impact on hiring, retention, retraining, performance evaluation, termination, and retirement of older workers. I've also had the experience of serving as an expert witness in age discrimination cases before Federal district courts.

My statement will cover two basic themes. First, the problem of age discrimination in employment is severe and constitutes one of the largest obstacles to older workers seeking jobs or those wishing to remain in the work force. Second, employers and legislators can learn important lessons from litigation under the Age Discrimination in Employment Act (ADEA) and thereby develop more positive policies and practices in dealing with older workers over the coming years. In developing these themes, this testimony will examine the ADEA and some major cases that have arisen under the statute. This is a practical approach which, I feel, will fit in well with and supplement other testimony presented at these hearings.

I. GENERAL ISSUES ON AGE, EMPLOYMENT, AND RETIREMENT

The committee has heard, and will continue to hear, that changing age profiles in the population and labor force over the coming years will require new approaches to both retirement and employment policies affecting older workers. There will be more older persons in the population living longer and healthier lives. At the same time there may well be fewer younger workers in the labor force to support the large, older group living in a full retirement status. The sheer weight of older persons in the population, plus economic factors, may cause us to rethink the concepts of work and retirement for this group. But such rethinking may not come about until the problem is actually with us in 10 to 20 years down the line.

The committee has heard, and will continue to hear, that age, of itself, is no real obstacle to continued employment of older persons into the late sixties, seventies, and beyond. Studies indicate that able, older workers are as productive as their younger counterparts, are capable physically and mentally of meeting a wide variety of job roles—including the learning demands associated with different types of work. The older person, objectively viewed, appears to be a resource for his or her own independence as well as a contributor to the economy and society at large. This contravenes the stereotypes that many hold on older persons and older workers.

The committee has heard, and will continue to hear, that the Nation's retirement income resources—pensions and social security—are finite and that given an expanding, longer living older population, both systems may face increasing stress over the coming decades. Employment alternatives to retirement, then, present ways to alleviate such stress and ways to extend the contributions of a vital human resource—the older worker.

The committee has heard, and will continue to hear, that certain employers have, and are developing, policies and practices which facilitate hiring and retention opportunities for older workers. However limited and scattered these practices are throughout the broader employer community, they offer precedents on which extended employment policies and practices can build.

But what the committee has not heard much about is the continuing civil rights struggle of older workers to achieve full and equal employment opportunities such as those gained by minority group workers over the past 15 years. This is a day-to-day issue and struggle which is illustrated by both the growing numbers of complaints of age discrimination filed with the Equal Employment Opportunity Commission and the growing number of ADEA cases being litigated in the courts. Thus, while there are long-range considerations involved in the reassessment of employment and retirement policies for older individuals, there are immediate issues which both Congress and the employer had better pay attention to.

II. AGE DISCRIMINATION IN EMPLOYMENT

There are as many explanations for the pernicious phenomenon of age discrimination in employment as there are for any other type of job bias against any other group. In the case of age, however, one effort to document and describe this type of discrimination stands out. Title VII of the Civil Rights Act of 1964 laid down a number of employment safeguards for blacks, women, Chicanos, and individuals of other minority status. It offered no protections for persons based on age. Instead, it directed the Secretary of Labor to conduct a study to determine the existence and extent of age discrimination in employment and to make recommendations to the Congress. The report, perhaps the most extensive of its kind, was submitted to Congress in 1965.[1] Major findings include the following:

> Unemployed older workers actively seeking work suffer substantially longer periods of joblessness than do their younger counterparts. This is a documented and long-standing pattern (which still exists) and can be attributed, in part, to a lack of job-seeking skills on the part of older workers. It can also be attributed to systemic age discrimination practiced by many employers.
>
> Many employers utilizing the services of the U.S. Employment Service will specify that they want no individuals referred to them for jobs who are over age 45—not to speak of workers beyond that age. This also has been a long-standing trend—there being no major Federal statute to prevent such age stipulations.
>
> Many employers interviewed over the course of the study stated openly that they felt older workers were less productive than younger workers, could not adapt to changing job requirements, and were too costly to hire in terms of higher wage/salary demands and employee benefit costs.

In response to this study and extensive hearings held on the topic of age discrimination, Congress passed the Age Discrimination in Employment Act of 1967. The act is most popularly known for the recent rise in mandatory retirement age from 65 to 70 which occurred through the 1978 amendments to the ADEA.[2] But the purposes and provisions of the ADEA reach far beyond that. It is appropriate here to review the major features of the statute.

III. THE AGE DISCRIMINATION IN EMPLOYMENT ACT, AS AMENDED

The purpose of the ADEA reads as follows: "It is therefore the purpose of this act to promote employment of older persons based on their ability rather than age; to prohibit arbitrary age discrimination in employment; to help employers and workers find ways of meeting problems arising from the impact of age on employment."

As can be noted, two directives in the statute call for positive and educational efforts to promote older worker employment. One directive relates to prohibitions. Even before the list of prohibitions, the act in section 3(a) lays out a series of educational and research programs to be undertaken in order to achieve the positive ends of the law. Regrettably, no such program, focused on educating employers on older worker abilities, has ever been developed or undertaken.

Section 4(a) of the statute spells out the prohibitions—which are similar to those provided by title VII of the Civil Rights Act. Thus, the ADEA, as amended, makes it illegal for employers: "To fail or refuse to hire or discharge any individual or otherwise discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment because of such individual's age."

The law also prohibits discrimination on the part of labor unions to exclude older workers from membership or limit them in various rights of membership. Employment agencies may no longer stipulate age as a requirement for job referral or legally accept age stipulations on job orders. Nor may employers or employment agencies advertise in a manner which would limit job applications and subsequent placement for older persons.

As amended, the act protects individuals between ages 40 and 70. The statute covers public and private employers of more than 20 workers and labor organizations of more than 25 members.

But, as is the case with many regulatory laws, there are exceptions. Thus, in the ADEA, section (f), as amended, reads as follows:

> (f) It shall not be unlawful for an employer, employment agency, or labor organization—
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> (1) To take any action otherwise prohibited under subsection (a), (b), (c), or (e) of this section where age is a bona fide occupational qualification reasonably

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[1] U.S. Department of Labor, "The Older American Worker: Age Discrimination in Employment," Washington, D.C., 1965.

[2] 29 U.S.C. 621, et seq., 92 Stat. 189 (1978).

necessary to the normal operation of the particular business, or where the differentiation is based on reasonable factors other than age;

(2) To observe the terms of a bona fide seniority system or any bona fide employee benefit plan such as a retirement, pension, or insurance plan, which is not a subterfuge to evade the purposes of this act, except that no such employee benefit plan shall excuse the failure to hire any individual, and no such seniority system or employee benefit plan shall require or permit the involuntary retirement of any individual specified by section 12(a) of this act because of the age of such individual; or

(3) Discharge or otherwise discipline an individual for good cause.

It should be noted that the 1978 amendments also permitted compulsory retirement at age 65 of certain business executives and policymakers when such individuals are entitled to a pension of at least $27,000 per year. In addition, tenured faculty at institutions of higher learning can be retired at age 65 up to July 1, 1982.

What older workers seem to have in the ADEA is something like half-a-loaf of work-related civil rights protections. It is as if Congress is unsure of the protections passed and had to qualify them. There is certainly no comparison to the ADEA protections and exceptions to those in title VII. An employer cannot discriminate against a person because he or she is a little black or is a little bit Chicano or somewhat Catholic, Protestant, or Jewish. But for older workers the matter is mixed. A look at the litigation under the act will underscore the ambiguity of its protections.

IV. SELECTED LITIGATION UNDER THE ADEA

There were three major lines of age discrimination cases that developed fairly quickly under the statute. The first involved the bona fide occupational qualification clause of section 4(f)(1) or the BFOQ. The second involved the range of personnel functions affecting older workers—including refusal to promote, problems with equitable salary arrangements, and termination for a variety of causes. Key to this line of cases are performance evaluation criteria and how they were applied. A third stream of cases involved involuntary retirement as a condition for membership in a bona fide pension plan. The 1978 amendments have effectively prevented such actions so the subject will not be treated here. To be sure, there are many shades of age discrimination cases, but the two categories mentioned above will serve for the present discussion.

A. The bona fide occupational qualification (BFOQ) norm for hiring and retirement

One of the first major ADEA cases to reach the courts was *Hodgson* v. *Greyhound Bus Lines, Inc.*[3] The case involved a challenge to Greyhound's long-established practice of refusing to hire individuals over age 35 for the position of driver. The rationale for this policy was based on the assumption that older or not-so-old persons could not meet the strenuous demands of "extra board" driving assignments. By seniority practice, newly hired drivers had to take assignments involving erratic and long hours, at night, and under severe weather conditions. The older the driver was, the more susceptable he was to strain, fatigue, and reduced proficiency as a result of the former. In summary, such a person constituted a safety risk. Furthermore, the company contended that the older applicant would be more difficult to train, take longer, and as a result, cause the company to incur higher costs. Exclusion of older drivers was also based on economic as well as safety factors.

The Federal district court ruled against Greyhound, stating that the company had not demonstrated that a majority of over 35-year-olds could not meet the "extra board" job requirements. A general rule of "all or nearly all" applicants being unacceptable on the basis of age did not apply. The court of appeals, however, reversed the decision stating that the company need only demonstrate rationally that a minimal risk of harm to others could result from hiring the older applicants. By refusing to hear the case, the Supreme Court, in effect, upheld the ruling in favor of Greyhound.

In a way, the case resulted in the honing of one edge of a two-edged sword which cuts into older worker employment opportunity. One edge allows refusal to hire, the other forces retirement. Selected cases are instructive.

In *Houghton* v. *McDonnell-Douglas, Inc.*[4] A 52-year-old production test pilot was grounded on the basis of his age. He sued the company under the ADEA and there developed what amounted to one of the most comprehensively litigated cases involving physiological evidence related to age and job requirements. The company sought to use the BFOQ as its defense in the most general sense. That is, it claimed that Houghton was in an age group which tendered, generally, to encounter suddenly disabling events (e.g. cardiac arrest) more frequently than other, younger groups and, therefore, constituted a safety risk which amounted to interference with the business of the company—the production, testing, and selling of aircraft.

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[3] *Hodgson* v. *Greyhound Bus Lines, Inc.*, 499 F. 2d 859 (7th Cir. 1974) *cert. denied, Brennan* v. *Greyhound Bus Lines, Inc.*, 419 U.S. 1122.

[4] *Houghton* v. *McDonnell Douglas Corp.*, 553 F. 2d 561 (8th Cir. 1977) *cert. denied, McDonnell Douglas Corp.* v. *Houghton*, 434 U.S. 966 (1977)

The Government, which took up Houghton's case, introduced massive evidence which showed that pilots and test pilots in Houghton's age group—as opposed to the general population—encountered such events so infrequently as to be statistically insignificant. The court rulings were as follows. The Federal district court ruled for McDonnell, but was reversed by the appellate court. The U.S. Supreme Court refused to hear the case and remanded it back to the original district court. The district court judge simply reinstated his original ruling against Houghton. The EEOC is appealing that action. Whatever the course of these interesting legalities, Houghton is still out of a job and has received no damage award.

This type of case constitutes the second edge of the BFOQ sword—the use of age as a surrogate for mandatory retirement well before the limit set by the ADEA.

A Federal judge has summed up the BFOQ function well: "An age-related BFOQ permits an employer to admit that he has discriminated on the basis of age, but to avoid any penalty. Establishment of a BFOQ relating to age justifies an employer's *violation of the heart of the ADEA,* (emphasis added) allowing him to apply a generally exclusionary rule to otherwise statutorily protected individuals solely on the basis of class membership." [8]

Age exclusions go beyond the ADEA and the spirit of the BFOQ sword has been sanctioned by the U.S. Supreme Court. In a series of constitutional cases [9] relating to Federal and State laws which require retirement as early as ages 60 and 50, the Court has simply refused to apply the rule of "close scrutiny" as to possible constitutional violations. The age exclusions, involving forced retirement, were held to be rational and not in violation of the equal protection provisions of the fifth and 14th amendments.

This is unfortunate, because in all major occupations involving stress, public safety or other unusual features, most employer organizations require fairly rigorous physical examination for applicants as well as incumbents. Thus, pilots, police, air traffic controllers, firemen, etc., have to meet specific physical condition criteria related to their jobs. This is where individual assessments can be made and the general discriminatory rule of age avoided.

The EEOC is now considering a number of legal challenges to both hiring and retirement rules based on the BFOQ. Most of the pending cases involve police and firemen. This is at least an indication that some older workers have not given up on their civil rights options under the ADEA. The committee should follow the EEOC actions closely as it considers the need to eliminate or rectify section 4(f)(1) of the ADEA.

B. Age factors and the terms, conditions, and privileges of employment

The EEOC recently filed suit against Con Edison—New York City's utility company. About 140 older workers had been terminated as a result of a company reduction-in-force (RIF) procedure brought about by economic factors. The company claimed that the separation of the older workers was based on their inferior job performance record and not on age. The older workers claimed just the opposite—that the company let them go because of age and the fact that due to length of service they were at the higher salary and wage levels. Their job performance, they claimed, had nothing to do with the RIF. This will be the focal point of the argument when the case goes to trial. It is not an issue without precedent.

Generally speaking, management cannot admit that age, of itself, plays a central role in personnel decisionmaking which adversely affects older workers—with the exception of the BFOQ issue discussed earlier. In several instances, employers have put forward the inferior performance argument as the rationale for terminating, refusing to promote, or downgrading older workers. The underlying assumption appears to be that certain older, long-term employees, after years of service become poor performers. Several ADEA cases are pertinent.

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[8] *Marshall* v. *Westinghouse Electric Corp.*, 576 F. 2d 588, 591 (5th Cir. 1978).

[9] *Massachusetts Board of Retirement* v. *Murgia*, 427 U.S. 307 (1976). This case involved a State law requiring the retirement of uniformed State troopers at age 50. Despite Murgia's proven record and ability, the Supreme Court denied access to the equal protection clause of the 14th amendment. The court simply denied that a serious constitutional issue existed in the forced retirement of Murgia. *Vance* v. *Bradley* 440 U.S. 93 (1979). This case involved the forced retirement of foreign service workers at age 60. Again, the Court denied that the issue amounted to a serious constitutional issue. Since Congress set the rule of retirement, it was up to Congress to change it.

In *Mistretta* v. *Sandia Laboratories, Inc.*,[7] over 200 senior high-technology workers were terminated through a RIF procedure. The company claimed that these workers were less productive and were separated on that basis. Further examination, however, revealed that the company had only the most general kinds of criteria on which to assess progress or lack thereof for the workers in question. The older workers were selected for the RIF by supervisors and higher management made the final decisions as to who would go or stay.

The Federal district court ruled that the whole process was highly subjective and that after analysis of the evidence determined that Sandia had engaged in a "pattern and practice" of age discrimination regarding the termination of workers aged 52 through 64. The other workers may have encountered discrimination, but this would have to be determined on a case-by-case basis. The overall statistics did not prove discrimination against the 40- to 52-year-olds—but that did not rule out the possibility.

In developing the case, Government attorneys investigated every major personnel function in the Sandia organization. That is, in the "search and discovery" phase of the case, the Government requested and received age-related data on hiring, promotions, salary administration, training and development, retirement policies—as well as information pertaining to the RIF procedures on which the actual charges of age discrimination were based. In summary, the Government conducted an age-audit of the company's entire personnel operation.

These types of investigations are not uncommon under title VII cases involving race or sex discrimination. But this is the first time such an extensive investigation had been conducted on the basis of age discrimination. It will not be the last. The EEOC will apply such systematic investigation to the *Con Edison* case mentioned earlier. In another pending case against Phillips Petroleum, involving a RIF and older worker downgrade situation similar to that in Sandia, the EEOC will continue an extensive and systematic investigation of this case which it inherited from the U.S. Department of Labor when jurisdiction for the ADEA changed hands last July. The case involves over 460 older plaintiffs filing charges of age discrimination.

There are many more ADEA cases that could be discussed. Some of these have been won by older worker plaintiffs, some by defendant employers. But we should not be interested in a won-loss score on ADEA cases. Instead, employers and the committee should be concerned with the underlying causes of age discrimination in employment and ways in which these can be eliminated.

IV. MANAGEMENT LESSONS TO BE LEARNED FROM ADEA CASES

One of the reasons that ADEA cases arise in the first place is that employers fail to perceive that age is, basically, just one of many human resource factors that can be managed in a positive and productive manner. It seems strange, indeed, that it takes a lawsuit to bring about an extensive age analysis of a company work force. Management should have conducted such an analysis long ago—certainly prior to making personnel decisions which would affect large numbers of older employees.

What follows is a summary of major lessons management and employers can learn from ADEA cases. It is limited, because this is not the forum for a technical treatment of the subject. The committee, however, and employers, can readily see the major points.

A. Conduct an age audit of the work force

Since age is a universal variable, all employers, from top to bottom, have one. Management can, based on careful organization of internal age data, note any imbalances that may show up in various units or occupational lines. With planning leadtime, more appropriate age distributions—which Federal courts allow—can be developed. This is not only good human resource management, but tends to avoid and prevent problems of age discrimination.

B. Review all major personnel functions, over a period of time, from a comparative age perspective

Managers should know how many workers over 40, 50, and 60, have applied for jobs over each of the last 3 years and how many were hired. If comparatively few older workers were hired this could spell trouble. With careful analysis, the situation can be corrected. The same analysis—suggested by the *Mistretta* case—should be conducted in the areas of promotion by age groups, salary administration, training and development, performance evaluation ratings, terminations and retirement.

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[7] *Mistretta* v. *Sandia Laboratories, Inc.*, 15 F.E.P. Cases 1690 (D. N. Mex., 1977).

In short, preventive medicine, taken by management, can avoid trouble and help develop a productive older worker force in addition to other age groups.

C. Examine job descriptions, qualification statements, and performance appraisal systems from an age viewpoint

No one expects, least of all the courts, that employers should hire or retain workers of any age who cannot meet job qualifications of performance standards. Those qualifications and standards, however, must be clearly defined and communicated to workers and supervisors as well as being job related. As the law stands now, employers can exclude older workers from certain positions on the basis of the BFOQ. The burden of establishing the BFOQ lies on the employer. Fewer older workers, it appears, are willing to accept age exclusions.

The same holds true for performance appraisal systems. Any company which retains workers over many years and then, suddenly, tells them they are marginal or substandard performers is simply asking for trouble. Even if the individual worker is below standard, the situation should be well documented before any adverse action is taken. Title VII standards apply equally to the ADEA. The positive side of the approach is that early detection of problems facing older workers can be rectified by retraining, job reassignment, counseling, or combinations of these. Positive human resource management for older workers should be employer policy.

D. Review retirement and early retirement policies. Develop alternatives to retirement

A worker in his or her fifties can look forward to 20 or more years of employment—all things being equal, such as health, ability, and interest in staying on the job. Oftentimes, however, employers expect older workers to take early retirement options or to leave at the so-called normal retirement retirement age of 65. This may, at present, be a sort of self-fulfilling expectation. Employers expect older workers to leave. Being expected to go, older workers may well chose retirement. Given the raised mandatory retirement age, plus inflation and energy costs, all this may change. Employers should review retirement policies along with retirement and early retirement rates to assure that older workers make such decision voluntarily. Any policies or practices which directly or indirectly force retirement decisions on older workers are suspect.

The positive side of retirement policy is to expand it. Automatic retirement, for a variety of reasons, is becoming a policy of the past. Older workers represents a rich store of skill and experience. Sudden cutoff from such resources simply doesn't make good management sense. Companies are beginning to experiment with phased retirement, part-time work, special task assignments, and flexitime schedules as means to retain and apply the skills of older workers beyond the normal retirement age. If managed well, this approach meets older worker needs and the continuing needs of production.

V. CONCLUSION

The committee and employers should realize that older worker policies over the coming years will develop along two major lines. The best case is that they develop as part of overall human resource management policies. If this happens, then we can expect a decrease in litigation under the ADEA. If such policies do not develop, then the action will shift toward the Federal courts. Hopefully, employers will have learned the lessons of dealing with other minority group workers under title VII of the Civil Rights Act.

But none of us can afford to kid ourselves on the older worker issue. First, it simply won't go away. Second, older workers are becoming more sophisticated and are quite capable of spearheading their own civil rights-type movement. They are beginning to see age bias for what it is—a violation of law and a waste of their own human resources.

One corporate official experienced with many EEO cases over the years refers to older workers and the ADEA as the "sleeping giant" of the 1980's. It will be regrettable if the giant awakens and moves toward the costly and time-consuming path of ADEA litigation—all the more so, since employers and managers have the means—positive policies for older workers—to prevent that from happening.

Thank you very much. I will be pleased to respond to any questions you may have.

Senator CHILES. Mr. Rosow.

STATEMENT OF JEROME M. ROSOW, SCARSDALE, N.Y., PRESIDENT, WORK IN AMERICA INSTITUTE, INC.

Mr. Rosow. Thank you, Mr. Chairman.

I have been privileged to be asked to participate in this panel of experts on older workers. I come to this hearing with early information on a report completed by the Work in America Institute entitled "The Future of Older Workers in America." The report is really a two-part document. One is a policy study with major recommendations for Government, unions, and employers and has the endorsement of our tripartite board of directors. The other is a companion casebook on practices in effect in American industry, which will be published in July of this year under the title, "Young Programs for Older Workers."

I have been asked by the committee staff to concentrate on the casebook and I am happy to do that, Mr. Chairman. I request your permission to place into the record two statements of testimony that I have submitted to the committee. One deals with the basic policies of the report, some of which have been segregated out for the attention of the committee. Those are the recommendations focused on Government and requiring the attention of Congress. The second statement, prepared at the request of your staff, deals with the casebook and attempts to highlight the casebook.

Senator CHILES. Both of your statements will be included in the record.[1]

Mr. Rosow. Thank you, Mr. Chairman. As an introduction I would like to say that come what may, employers in the 1980's will have millions of older workers on their payroll and they will want to and will have to deal with them in ways that enhance productivity and the quality of working life. That will necessitate rethinking and reshaping present policies and practices, with a view to making the workplace better, not for older workers alone, but for the entire work force.

There are a few underlying principles in our report which I think are pertinent in connection with the case studies.

First, that the extension of working life is socially and, in many cases, individually desirable; but it should come about by individual choice, not by coercion.

Second, that the value of a worker to the employer can only be judged on the merits, not by chronological age.

Third, that a healthy employee at age 50 should be regarded as having a potential 20 productive working years ahead.

Fourth, that it is in the employer's self-interest to sustain the motivation and productivity of any employee who continues working beyond the normal age of retirement.

These principles lead to three broad recommendations:

First, an older worker should be offered opportunities as attractive as those offered to any other worker of similar competence, vigor, and ambition.

Second, that age neutrality should be designed into the critical personnel policies: Hiring and separation, pay and benefits, performance appraisal, career counseling, preretirement counseling, and training and development.

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[1] See page 30.

Third, that many new options for the extension of working life which will make older employees more valuable to the employer deserve consideration and also make the job more desirable to the employee. These options—which are treated in some depth in our report, and are illustrated by and based on real cases now in effect in American industry, not sufficient in number but quite impressive in character—relate to the redesign of work schedules, the redesign of jobs, transfer and reassignment, reassignment with lesser responsibilities, characteristically designated by the opprobrious term of demotion, work and education combinations, part-time work, phased retirement, recall of annuitants, second careers, small business opportunities, and outplacement.

I would like to turn from these broad principles to the casebook itself. In launching our report recently, a questionnaire was sent to 1,300 major corporations in the United States, asking them if they had any definitive policies or practices or illustrations of what they were doing relative to older workers in the areas of hiring and firing, employing annuitants, flexible work schedules, permanent part-time work, job sharing, redesign of jobs, demotion, retraining, continuing education, educational leaves and sabbaticals, second careers, performance evaluation, salary and pay practices, and benefits.

Ninety-one companies responded, for a return of 7 percent. Work in America Institute consultants and staff, as well as members of the policy study's national advisory committee, provided additional leads. Marc Rosenblum and Harold L. Sheppard graciously supplied their list of 43 companies. In all, more than 170 organizations provided the data base for this project. The final 69 case studies represent a cross-section of what industry and Government are doing in the older worker area.

The universe represented here is quite substantial because the 69 organizations contain a total population in excess of 2.5 million employees. I suspect that number is on the low side because if you just take the telephone company alone there are 1 million people represented by some of their policies.

The casebook is organized into six areas and I will touch lightly on each area, Mr. Chairman, and illustrate the companies in each area.

First are the new work arrangements. There are three aspects of new work arrangements. These include part-time work, phased retirement, and second career training. These three new working arrangements are responding to changes in the economy and to the aging of the labor force.

In part-time employment we report six major case studies applying to older workers including: Northern Natural Gas Co., Macy's, Woodward & Lothrop, and Bullocks Department Stores, the Toro Co., San Francisco Unified School District, and Wichita Public Schools.

I want to comment particularly on one fascinating case that is highly original with wide potential for adaptation, namely the California and Kansas experiments that deal with the shrinking profession of teaching. These States have made a substantial breakthrough in work sharing by changing pension rules and allowing older teachers to collect their full pensions while working part time, thus opening opportunities for the employment of younger teachers and rebalancing the age mix of the educational establishment. I think this particular experiment is now being emulated by four other States and shows wide promise for other sectors of the economy.

In phased retirement, a few private sector companies are flirting with phased retirement. Here the problem is finding a way for employees to reduce their working life gradually without decreasing pension benefits. As a wave of the future this is a problem searching earnestly for a solution. We did find four attractive case studies on phased retirement: the Wrigley Co., Towle Silver Co., New England Mutual Life Insurance Co., and Gordon E. McCallum & Engineering Service.

It is interesting that in the recent settlement of the International Harvester strike, which was reported in the press the last few days, the controversial issue that locked up Harvester had to do with compulsory overtime. The solution reported by Harvester stated that one of the options now made available to the company with the permission of the UAW was to recall annuitants to perform so-called overtime work which the regular workers were refusing. This is another aspect of opening job opportunities for annuitants.

In second careers we see an option which could extend working life through a series of contiguous careers. These programs, of course, require excellent planning and a close tie to labor market needs. One remarkable case study reports a failure in the instance of the air traffic controllers, many of whom retire early because of the high stress of their work and who seek second careers. The Civil Aeronautics Board has invested a lot in this program but the program went awry.

There are five important case studies on second careers: IBM, New Career Opportunities, Inc., the Air Traffic Controllers, Aerospace Corp., and Yale University.

A fourth aspect is what we call job redesign. This is an area with great potential but only one case is reported, the Tektronix Corp. I think it is an area of great potential, fitting in with many of the things that Dr. Schaie said in his remarks about the designing of work to deal with the changing character of the older worker.

Reentry workers, the fifth part of the book, deals with women who left the work force to raise families and have now returned to work. This deals with Government programs designed to help women toward economic independence. We know the displaced homemaker programs are a response to the social and economic dislocation caused by the high divorce rate. Since estimates put the number of displaced homemakers at the 4 million mark, these efforts represent only a beginning. The programs we have reported include: New York State displaced homemaker program; Center for Continuing Education for Women, Valencia Community College, Orlando, Fla.; The Maryland Center for Displaced Homemakers; and Project Reentry of the Career and Volunteer Service, Civil Center and Clearing House, Inc., Boston.

Next we report on secondary organizations which help older workers find jobs. The fact that many annuitants desire employment is no longer open to question and with the high level of inflation we can anticipate that that pressure will increase. The Harris poll of 1979 showed that 45 percent of retirees surveyed said they would prefer to be working. Employers who hire older workers and annuitants are increasingly pleased with their reliability and performance.

One new and exciting case relates to an organization in San Mateo, Calif., called Job Finders, Inc., which has a 3-week intensive job search training program linked to the CETA legislation and has had a 95-percent placement rate for participants over age 50 who have attended the workshop. Eighty-one percent of those people have retained their jobs for at least 6 months. The other cases include: Second careers program; Mature Temps; Older Americans Employment and Training Center; Senior Personnel Employment Council of Westchester; and Retirement Jobs, Inc.

The fourth aspect deals with redeployment. That is the involuntary movement of workers because of changing economic and technological conditions. We have seen the tremendous burst in the last few years in the so-called outplacement of executives, counseling people to find a job with another employer, which eases the trauma of separation. In spite of severe problems which accompany job loss, the statistics from a number of studies have shown very effective results.

I am running out of time so I won't discuss all the remaining cases. I will just say in conclusion that the fifth section of the casebook deals with new hires of older workers, and the last section deals with what we call assessing and advising. This includes the very critical issue of performance appraisal and its effect on the career treatment of older workers.

Thank you very much, Mr. Chairman.

Senator CHILES. Thank you, sir. Your statements will be entered into the record at this point.

[The statements of Mr. Rosow follow:]

PREPARED STATEMENT OF JEROME M. ROSOW

My name is Jerome M. Rosow. I am president of Work in America Institute, and a former Assistant Secretary of Labor.

I was invited to present a brief summary of the findings and recommendations of a policy study recently completed by Work in America Institute, entitled the Future of Older Workers in America. Work in America Institute is a not-for-profit organization supported by corporations, unions, foundations, and the Government. Our 10-member board includes respected representatives of business, unions, and public life, under the distinguished chairmanship of Dr. Clark Kerr. The policy study was carried out under grants from Rockefeller Brothers Fund and the Commonwealth Fund, with the active help of a national advisory committee of 20 experts drawn from major sectors of the society. Our final report, and a casebook to illustrate some of the most progressive practices now in effect, will be published in July of this year.

The central finding of our study is that the future of older workers is still hanging in the balance. Some powerful economic, demographic, and social factors are pulling toward the extension of working life; others in the opposite direction. We believe that the balance will ultimately tip toward extension of working life but no one can be certain how quickly this will occur.

Officially, the Bureau of Labor Statistics projects that the 1980's will see a continuation of the long-term trend toward earlier and earlier retirement. This projection should be taken with great caution. Our analysis indicates that it is the result of deliberate public and private policies, not the result of natural causes. Changing the policies can change the trend.

What lies behind the diminishing labor force participation of older men? We examined a number of key factors and found:

Social security coverage rose from 64.5 percent of all U.S. workers in 1950 to 90 percent in 1975, and the size of monthly benefits rose almost tenfold (especially due to cost-of-living indexing). The proportion of people 55 to 64 years old who were working declined sharply beginning in the early 1960's, when those aged 62–64 became eligible for social security benefits.

The earnings test—under which social security benefits are reduced if one earns money—is widely believed to have caused older people to stop working, but it may have encouraged part-time work rather than retirement.

Other factors that encouraged older people to stop working include a liberalization of disability benefits under social security; expanded private pension coverage, from 22 to 46 percent of the labor force; mandatory retirement and early retirement programs; poor health (although the health and life expectancy of older people have shown tremendous improvements); the shift in population from farming to industry; the competition from greater numbers of female and younger workers; and the steady increase in per capita wealth before the mid-1970's.

These policies will be increasingly brought into question by a set of forces that will incline people to prolong their working lives:

The rapidly rising cost of social security due to increasing benefits and increasing longevity may lead to legislative changes that will delay the age of retirement, as national policy.

Future changes in the social security and tax laws, a rise in the age of mandatory retirement, in[illegible]tion of pension benefits, and the need to retain older workers may deter employers from encouraging early retirement as more effective human resource policy.

Inflation, which erodes pensions, and the addition of 5 years to the age of mandatory retirement may induce employees to continue working, as an economic necessity.

Improvements in health, vigor, and longevity may make older workers continue their attachment to the world of work as a psychosocial need.

Rising educational levels of older workers mean that a higher proportion will hold interesting jobs and therefore have a stronger desire to remain at work.

Expanding use of flextime and part-time work will make extended worklife more attractive, as a means to better balance between work, family, and leisure.

On the other hand, as I mentioned earlier, a number of forces will pull in the opposite direction:

Custom and practice discriminate against older workers—particularly in the hiring of people over age 50.

Our society prefers the youth culture.

The slow-growth economy creates insufficient employment opportunities.

Inflation of labor costs puts pressure on employers to separate older, more costly workers.

Labor union policy is pointed toward better and earlier pensions, and toward work sharing.

Younger employees (25 to 44) compete with those aged 55 and above for opportunity within the organization.

Negative stereotypes about the health, vigor, competence, productivity, and ambition of older workers become self-fulfilling prophesies.

Come what may, employers in the 1980's will have millions of older workers on their payrolls. They will want to deal with them in ways that enhance both productivity and the quality of working life. That will necessitate rethinking and reshaping present policies and practices, with a view to making the workplace better not for older workers alone but for the entire work force.

Employers, by and large, are receptive to moving with the trends and new social expectations, and they are searching for intelligent answers. Their responses will be compatible with diverse needs: Their own needs for productivity and profit, workers' economic needs and lifestyles, the requirements of law, and specific needs for efficient personnel practices.

Our report aims primarily to advise employers because they have the broadest range of decisions to make. However, it also recommends supportive Government actions and contains ideas which should be useful to union leaders. Today I want to speak mainly about Government action.

The underlying principles of the report are as follows:

Extension of working life is socially and, in many cases, individually desirable; but it should come about by individual choice, not by coercion.

The value of a worker to the employer can only be judged on the merits, not by chronological age.

A healthy employee at age 50 should be regarded as having a potential 20 productive working years ahead.

It is in the employer's self-interest to sustain the motivation and productivity of any employee who continues working beyond the normal age of retirement.

These principles lead to three broad recommendations:

An older worker should be offered opportunities as attractive as those offered to any other worker of similar competence, vigor, and ambition.

Age-neutrality should be designed into the critical personnel policies—hiring and separation; pay and benefits; performance appraisal; career counseling, and preretirement counseling; and traning and development.

Many new options for the extended working life make the older employee more valuable to the employer, and the job more desirable to the employee. These options include—redesign of work schedules, redesign of jobs; transfer and reassignment; reassignment with lesser responsibilities; work/education combinations; part-time work; phased retirement; recall of annuitants; second careers; small business opportunities; and outplacement.

Now let me turn specifically to Government actions.

If present trends of labor force participation continue, as projected by BLS, a diminishing proportion of workers will be underwriting a rapidly rising proportion of retired people. As the cost rise, so will the threat of intergenerational conflict. The single most important factor influencing workers to leave the work force early is the availability of substantial, indexed social security benefits.

SOCIAL SECURITY

A great debate is now shaping up, in the country and in Congress, on the question: Can the mushrooming costs of social security be checked by public measures that delay the age of withdrawal from the labor force? If so, how?

If Congress comes down in favor of the extension of working life, the social security law will have to be amended in one of two basic directions—compulsion or incentives.

Several amendments of a compulsory nature have been proposed:

Age of eligibility increased to 67 or 68.

Inflation-related benefit increases limited to a part of the increase in the Consumer Price Index.

Benefits made taxable in whole or in part.

Liberalization of the earnings test deferred or dropped.

These changes would reduce the drain on the social security fund by eroding present entitlements. Americans in general, as well as unions and the gray lobby, can therefore be counted on to oppose them bitterly. The age extension would disappoint the expectations of millions of people and upset the current age equilibrium in the labor force. In addition, it would operate against the interest of those employers who want older employees to retire early—they would have to ante up 2 or 3 additional years of bridging money.

The alternative to compulsion is incentives, which have a slower effect on the fund but stand a much greater chance of acceptance.

Let me suggest a few amendments that would encourage people to retire later rather than earlier:

The earnings test might be liberalized even more than the present law contemplates, over a period of years.

The bonus for deferring retirement beyond age 65 might be raised, from the present 3 percent per annum to a 50/50 division of the actuarial savings as between the fund and those employees who forgo drawing any annual benefit.

The social security tax on workers who continue beyond age 65, and on their employers, could be waived.

As between compulsion and incentives to defer retirement, Work in America Institute strongly recommends the careful consideration of new incentives.

THRIFT AND SAVINGS PLANS

On the subject of fringe benefits, our report recommends a number of steps that employers should take to insure that benefits for older workers are equivalent in value to those for younger workers. Among others, we urge them to adopt and improve thrift and savings plans, which cannot only increase employee savings but also provide a second tier of pension coverage. These objectives would be furthered by congressional action along the following lines:

We recommend that Congress create added incentives to foster employee thrift and savings plans by granting tax exemption to employee contributions. With national savings rates at an all-time low, the United States needs tax policies which create new incentives to save.

We recommend the amendment of existing legislation or a ruling from the Treasury which would enable a worker to transfer a vested thrift or savings account to an individual retirement account, thus creating a modest form of pension portability without changing pension laws.

JOB COUNSELING AND PLACEMENT

Our report points out that 10 or 11 million people, aged 40 and above, who are presently not working, say they would like to find suitable employment. Probably more are seeking part-time work than full-time. We believe these numbers will increase rapidly during the 1980's.

Even if job openings existed for all these people, many would be unable to take advantage of them. It has been so long since they had real contact with the job market, that they no longer know, even if they knew before, how to get around in it. They lack a realistic understanding of their value to a prospective employer, they lack information about where and how to conduct a job search, and they lack skill in presenting themselves as applicants.

Some private and public agencies have sprung up, which help older people overcome these difficulties, but the surface has barely been scratched. We therefore recommend as follows:

The role of CETA in retraining, counseling, and placing older workers should be expanded by making its help available to the millions, including pensioners, who are now excluded because they do not qualify under the economic limitations. The cost of serving them would probably be less than the cost of excluding them, because getting older people into jobs would bolster tax revenues and the social security fund.

RETRAINING AND CONTINUING EDUCATION

In our continually evolving economy the demand and supply of skills change with frightening speed. Almost inevitably, it is the older worker whose skills are most subject to obsolescence, and whose difficulty in updating them is greatest. In addition, many older workers would like to upgrade their stock in trade or move into a different occupation altogether.

Older people—except those who are gravely ill—have just as much ability to learn as younger people have. They are held back by two things—the fear that they are too old to learn, and the inability to be full-time students and support themselves and their dependents at the same time. The growing number of older students at institutions of higher learning suggests that the fear is diminishing. The financial problems, however, are growing.

Older people seeking further education also need advice as to which fields of study are best suited to their objectives, and information about where to pursue those fields.

Our report recommends several ways in which employers should assist older workers to obtain marketable new skills, but there are certain points on which Government action is desirable.

The Federal Government should sponsor detailed studies of age distributions by occupational groupings, with an evaluation of the educational levels of the workers. With such information, on a trend basis, there is a better possibility for determining the education and training needs for those older workers who want to prepare themselves for jobs in industries with increasing job opportunities.

Government and employers should help employees gain access to reliable advice about career opportunities and requirements, about where to get the necessary education to take advantage of these opportunities, and about their own readiness for education.

The current CETA program should be recast so that all public employment programs, other than the strictly countercyclical ones, have a significant training and placement component. Special programs for retired people should also be included.

We recommend that the appropriate congressional committees review the West European experience with large-scale training as a social investment. Congress should consider providing a sufficient period of full-time or part-time training and education to all individuals who can meet appropriate qualifications, except workers who cannot be reeducated without undue time and expense, for a desired change of employment. The congressional review should be carried out in the light of CETA training efforts, and indeed, might be included in any reconsideration or renewal of CETA in 1981.

We recommend that the unemployment insurance law be amended so that people who are unemployed but attending full-time educational institutions for periods up to 1 year are eligible for benefits, provided they are not less than 30 years of age and have contributed to the unemployment insurance fund for not less than 5 full years. The program should be subject to proper certification procedures, with responsibility to be assumed by the educational institution to show that the course taken by a client will produce marketable skills.

ADDITIONAL STATEMENT OF JEROME M. ROSOW

DESCRIPTION OF CASEBOOK

The casebook reflects the practices of leading-edge companies in the United States.

A questionnaire was sent to 1,300 major companies requesting information on personnel policies as they affect older employees in the following areas: Hiring and firing, employing annuitants, flexible work schedules, permanent part-time work, job sharing, redesign of jobs, demotion, retraining, continuing education, educational leaves and sabbaticals, second careers, performance evaluation, salary and pay practices, and benefits.

Ninety-one companies responded, for a return of 7 percent. Work in America consultants and staff, as well as members of the policy study's national advisory committee, provided additional leads. Marc Rosenblum and Harold L. Sheppard graciously supplied their list of 43 companies. In all, more than 170 organizations provided the data base for this project. The final 69 units represent a cross section of what industry and Government are doing in the older worker area.

The universe represented here is substantial—these 69 organizations contain a total population in excess of 2½ million workers.

The casebook is entitled "Young Programs for Older Workers," and will be published by Van Nostrand Reinhold. The cases are organized into six areas reflecting: (1) New work arrangements; (2) reentry workers; (3) secondary organizations; (4) redeployment; (5) hiring older workers and annuitants; and (6) assessing and advising.

1. New work arrangements

There are three aspects of new work arrangements. These include part-time work, phased retirement, and second-career training. These three new working arrangements are responding to changes in the economy and to the aging of the labor force.

A. *Part-time employment.*—Part-time employment is represented by six case studies including: Northern Natural Gas Co.; Macy's; Woodward & Lothrop; Bullocks Department Stores; the Toro Co.; San Francisco Unified School District; and Wichita Public Schools.

One fascinating case that's highly original, with wide potential for adaptation, is the California and Kansas experiments to deal with the shrinking profession of teaching. These States have made a substantial breakthrough in work sharing by changing pension rules allowing older teachers to collect their full pensions while working part time, thus opening opportunities for the employment of younger teachers and rebalancing the age mix.

B. *Phased retirement.*—A few private sector companies are flirting with phased retirement. Here the problem is finding a way for employees to reduce their working life gradually without decreasing pension benefits. As a wave of the future this is a problem searching earnestly for a solution. The four case studies reported include: The Wrigley Co.; Towle Silver Co.; New England Mutual Life Insurance Co.; and Gordon E. McCallum & Engineering Science.

C. *Second careers.*—Second career training is another option which can extend working life through a series of contiguous careers. These programs require excellent planning and a close tie to labor market needs. One remarkable case study reports a failure in the instance of the air traffic controllers and describes the reasons why. There are five cases studies here, as follows: IBM; New Career Opportunities, Inc.; the Air Traffic Controllers; Aerospace Corp.; and Yale University.

D. *Job redesign.*—An area with great potential but only one case to report at present is the redesign of jobs to be more compatible with the capacities and interests of older workers: Tektronix, Inc.

2. Reentry Workers

Reentry workers are women who left the work force to raise families and have returned to work after varying periods of time. The cases in this section deal with Government programs designed to help women toward economic independence. The displaced homemaker programs are a response to the social and economic dislocation caused by the high divorce rate. Since estimates put the number of displaced homemakers at the 4 million mark, these efforts represent only a beginning. These include the following: New York State displaced homemaker program; Center for

Continuing Education for Women, Valencia Community College, Orlando, Fla.; The Maryland Center for Displaced Homemakers; Project Reentry of the Career and Volunteer Service, Civic Center and Clearing House, Inc., Boston.

3. Secondary organizations

There are a number of successful secondary organizations which help older workers find jobs. The fact that many annuitants desire employment is no longer open to question; 45 percent of retirees surveyed by the 1979 Harris poll said they'd prefer to be working. Employers who hire older workers and annuitants are increasingly pleased with their reliability and performance. One exciting new development reported in the case studies is the Job Finders case study, San Mateo, Calif., which has had a 95-percent placement rate for participants over the age of 50 who attended a 3-week workshop. Eighty-one percent of these people retained their jobs for at least 6 months. The other cases include: Second careers program; Mature Temps; Older Americans Employment and Training Center; Senior Personnel Employment Council of Westchester; and Retirement Jobs, Inc.

4. Redeployment

This section deals with the involuntary movement of workers because of changing economic and technological conditions. Increasingly, corporate employers who are forced to terminate executives and salaried personnel are providing outplacement counseling to speed up the job relocation process and ease the trauma of separation. In spite of the severe problems which accompany the loss of a job, statistics from two studies by professional outplacement counselors show that over 70 percent of terminated employees get better paying jobs when they relocate. However, older workers have a significantly harder time accepting the job loss and finding new positions.

Age seems to affect a manager's attitude toward demotion. A 1978 survey of Danish managers showed that the older the employee, the more likely he is to accept a transfer to a position of lesser responsibility and pay. While there has been little acceptance of and experience with demotion in this country, where it has worked, as at Kellogg and Maremont, those corporations have observed several important principles. The reassignment was mutually agreed upon by employer and employee, the worker was included in the planning process from the beginning, time was allowed to explore other options, the final choice was left to the employee and, where possible, the reassignment involved transfer to another unit within the company. The casebook reports the following examples of reassignment to positions of lesser responsibility (demotion): The Danish Experience; Maremont Corp.; the Kellogg Co.; and General Electric Co.—Aircraft Engine Group.

5. The "new-hires"—older workers

Older workers or annuitants are being hired by high-technology industries, banks and insurance companies, and manufacturers. Where skills are in short supply, in the fields of engineering and computer technology, secretarial and clerical work, and skilled craft areas, age is not a limiting factor. Employers are finding that older workers are reliable and productive and some companies, notably Bankers Life & Casualty Co., are saving employment agency fees by establishing oncall work forces of their own for their annuitants. While some older workers and annuitants return to work full time, the vast majority work as consultants and part-time employees, supplementing their retirement income. These cases have been organized by industry groups as follows: High technology industries; insurance companies and banks; manufacturers; and academia.

6. Assessing and advising

Four types of assessment and advice are reported in the concluding part of the casebook.

A. *Performance appraisal.*—The most complex assessment programs deal with performance appraisal. This will become critically important in the face of age discrimination in employment legislation. There are five cases reported which are significant: Grumman Aerospace Corp.; the Kellogg Co.; Bankers Life & Casualty Co.; the Mead Corp.; and Connecticut General Life Insurance Co.

B. *Continuing education and training.*—There are many opportunities for training and continuing education in American companies, but age data is hard to identify. Four programs are reported here, as follows: General Electric Co.—Aerospace Electronic Systems Department; the International Silver Co. and the Trade Adjustment Assistance Act; A. T. & T.; and the Mead Corp.

C. *Occupational alcoholism programing.*—There are two cases reported here: Grumman Aerospace Corp.; and Alcohol awareness program—U.S. Department of State.

D. *Preretirement planning.*—The more progressive companies with experience are moving toward starting their retirement planning not later than age 55. Many enlightened personnel directors see a need to tie preretirement to career life planning in general. Here the six leading-edge cases are reported as follows: AIM; Levi Strauss & Co.; Polaroid Corp.; Atlantic Richfield Co.; Morgan Guaranty Trust Co. of New York; and Grumman Aerospace Corp.

This report of American practices for older workers is neither comprehensive nor totally representative. In our view these are the more elitist and progressive practices. In fact the casebook represents a "creaming" of industrial practice. We threw out a big net in a questionnaire to solicit the identification of any experimentation or new programs, and it took a considerable effort to isolate these cases. However, they represent positive programs that are working and that are meeting the economic needs of the society. The fact that leading, highly profitable corporations in the United States have done these things and are continuing to do more is certainly a harbinger of better things to come. We believe that a great number of social and economic improvements occur by imitation, and our hope is that this casebook will result in much more widespread use throughout the country. This casebook, taken together with our major policy recommendations, begin and end in the workplace where critical personnel policy decisions are made affecting the extension of working life.

Senator CHILES. Mr. Kunze.

STATEMENT OF KARL KUNZE, OXNARD, CALIF., CHAIRMAN, NATIONAL INSTITUTE ON AGE, WORK, AND RETIREMENT, NATIONAL COUNCIL ON THE AGING

Mr. KUNZE. Senator Chiles, I want to first express my gratitude for your presentation at the NCOA 30th anniversary conference. In particular your affirmative stance was most welcome and most appreciated. I would also like to express appreciation to members of your staff who contributed significantly to the conference which, in my opinion, turned out to be the best one ever on this subject of issues of the older workers.

Senator CHILES. Thank you, sir.

Mr. KUNZE. Over the years NCOA has worked very closely with this committee on a number of tasks, and we are very pleased to be able to share with you today some of our views on employment options and opportunities for middle-aged and older persons, and the impact of those options not only on the individuals involved but on their employers, present or potential, and on our society in general.

Since NCOA's founding in 1950, it has been concerned about older workers, and that concern remains central to this day. You will find more details about some of NCOA's major job-related activities in our prepared statement,[1] but permit me just to mention a few of them here.

NCOA publishes "Aging and Work," a quarterly journal that addresses a broad spectrum of issues related to age, work, and retirement. It is read by many in industry and unions. We have good distribution to libraries, Government agencies, and I believe we have really pretty good readership of that journal in various segments of society.

NCOA has commissioned major surveys of attitudes about aging and employment, first from the public at large in 1975 as part of a far-reaching poll by Louis Harris & Associates and more recently from personnel directors and chief executive officers of the largest corporations in the Nation. I am happy to mention that attitudes do seem to be changing, especially with those who direct the larger corporations. It might have to do with some of the legal cases that we have had over the last 11 years or so but at least an awareness now has taken place and it is for the good of our causes.

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[1] See page 39.

NCOA helped lead the fight for amendments to protect workers until age 70 under the Age Discrimination in Employment Act. With reference to Senator Heinz' statement on this subject, we are ready to fight for removal of the 70-year age ceiling; in fact, we are involved in that at the present time. The ceiling to me is entirely contradictory and it brings about an inconsistency in the act.

One might characterize these recommendations that I am about to summarize as the three E's—enforcement, education, and exhibitions.

The ADEA remains the major tool for fighting discrimination in the job market on the basis of age. The number of complaints filed under ADEA increases every year, and the increases have apparently accelerated since enforcement authority transferred from the Labor Department to the Equal Employment Opportunity Commission. I am not implying causation here, I am merely stating something with reference to time. Yet thousands of protected workers know nothing of their rights under this law, or learn about them after deadlines in the act have passed. NCOA urges this committee to take the lead in amending the ADEA to simplify procedural requirements, remove the upper age limit for protection, and eliminate some of the irrational exceptions.

A frequently overlooked tool in helping older workers find and keep jobs is another Federal law, the Age Discrimination Act of 1975. This law, the ADA, seeks to prohibit age-based discrimination in the distribution of benefits from Federal programs, some of which are aimed squarely at helping persons find unsubsidized jobs. Parts of the CETA program, for example, provide comprehensive employment and training services. Although persons over age 55 comprise about 9 percent of the Nation's unemployed, they constituted only 2.9 percent of the CETA employment and training participants in 1979.

Other employment-related programs affected by the ADA include the U.S. Employment Service and the vocational rehabilitation program. Yet more than 6 months after the deadline, the Labor Department has not issued even proposed regulations applying the ADA to its programs. NCOA urges the committee to press for swift enforcement of the ADA and tightening of the statutory requirements themselves, if necessary.

Well, that is the first E, enforcement. Now let's turn to the second E, education. The first facet of education deals with employees themselves. We must assist workers who find themselves, in their late forties or fifties, faced with unemployment because of economic disruptions. Thousands of steel and auto workers are today trying to stitch their worklives together again after the massive layoffs and terminations in those industries. I know that the focus of these hearings is on keeping older workers on their jobs, but what happens when the jobs disappear? With often large financial obligations, and with few prospects for new employment at anything like old wage levels, these workers are in need of help. We need to make retraining more available at all levels, especially through CETA, for middle-aged and older workers who suffer these kinds of career disruptions.

Also, as I mentioned, workers themselves need to be better informed of their rights under protective laws. Much more must be done than merely requiring the employer to post a sign about the law against employment discrimination.

My field is in industrial relations, I am in close touch with the employees and I know how naive they are at this point in time about age legislation. But an even greater education job is needed among employers and not simply the corporate giants that the committee will be hearing from next month but small- and medium-sized firms, ones with anywhere from several to 1,000 workers. They need to be informed about the requirements of ADEA, to be sure. As part of its senior community service program, NCOA conducts community seminars on the older worker law around the country. These seminars have reached almost 600 smaller companies over the past 15 months.

NCOA's community seminars do more than just help assure compliance with the ADEA. They also give employers insight into how to identify areas where middle-aged and older workers are being underutilized. Correcting that means higher work force productivity and higher profits for the company. The tool we use for this is an age profile or, as it is commonly called, an age audit, of the work force. The completed age profile analyzes personnel actions—hirings, promotions, terminations, and the like—by age, for various types of occupations in the company. It does enable the company to examine how well it is complying with the ADEA, but it also allows management to see the potential for better work force utilization.

Another major unmet educational need has to do with the research on middle-aged and older workers, the subject of much of today's testimony. As you are hearing, a great deal of test information is being developed in areas such as older worker productivity, adaptability, constancy, and other characteristics, as well as some exciting and promising findings in measuring functional capacity. These are far from complete or conclusive, and more research needs to be done. But we need to communicate what we already know to the employers and policymakers who can put them to use. In short, we need to keep them educated on the latest information relevant to the aging work force they will have to deal with. NCOA does some of that communication, through its journal, through the seminars I have described, and in other forums, but the task is monumental. Stereotypes about older people and their capabilities took decades to work themselves into our consciousness and they will not be excised overnight.

After enforcement and education, the final implement in this alliterative toolkit is exhibitions. NCOA's retirement planning program, for example, encourages and assists employees and spouses to plan for their retirement. The program was funded jointly by the Administration on Aging and a consortium of major corporations and unions. We have conducted successful exhibitions, or demonstrations, involving economic development districts and older worker specialists in State employment offices. Many other potentially productive demonstrations are set out in Dr. Sheppard's report titled "Research and Development Strategy on Employment-Related Problems of Older Workers," including part-time employment, tapered retirement, skill upgrading for older minorities and expansion of apprenticeships to workers over age 40. That last subject is one that really has not been looked into at all.

Mr. Chairman and members of the committee, those are not simple problems and will not yield to simplistic solutions but I believe the steps I have outlined briefly can help to bring about improvements in the working lives of older people as well as a more productive society for us all.

Senator **Chiles**. Thank you, sir. Your prepared statement will be entered into the record at this time.

[The prepared statement of Mr. Kunze follows:]

PREPARED STATEMENT OF KARL KUNZE

Mr. Chairman and members of the committee, thank you for this opportunity to testify today for the National Council on the Aging, a private nonprofit organization completing its 30th year of service on behalf of older Americans. Over the years NCOA has worked very closely with this committee on a number of tasks, and we are very pleased to be able to share with you today some of our views on employment options and opportunities for middle-aged and older persons, and the impact of those options not only on the individuals involved but on their employers, present or potential, and on our society in general.

NCOA's commitment to the older worker began at the time of its founding in 1950, when a Committee on Employment and Retirement was named, and has continued through the present. Permit me to sketch for you some of the employment-related activities in which NCOA is engaged or has already completed.

National Institute on Age, Work, and Retirement.—This unit of NCOA, originally the Institute of Industrial Gerontology, has focused for the past 12 years on the issues and problems of age, work, income, and retirement as they relate both to the labor market and to the middle-aged and older workers. The institute conducts studies and provides an extensive range of training and technical assistance for industry, labor, State, and local councils on aging, and many others. Several of the specific projects listed below are undertaken within the institute.

Journal on Aging and Work.—Since 1969, NCOA has published "Aging and Work" (formerly "Industrial Gerontology"), the only national publication devoted solely to issues of age, employment, retirement, and income as they affect middle-aged and older workers. "Aging and Work" addresses a range of topics designed to help employers meet the challenge of an aging work force.

Major articles in the journal regularly focus on employment and training of the older worker, techniques to determine functional capacity, innovative management techniques, retirement preparation programs, social security and private pension plans, flexible worktime, performance appraisal, retraining and second careers, employment discrimination, and industry's response to older worker issues. A regular column of the ADEA highlights court decisions, pending cases and settlements involving older workers. Abstracts of current research on older worker issues are included in each issue, as are book reviews on new texts dealing with the economic and social implications of the middle-aged and older work force.

The journal in the last several years has published articles describing special program experience regarding older workers. Examples of demonstration programs, summaries of unique skills assessment, job placement, and training techniques have been highlighted.

Retirement planning program.—A new initiative of NCOA has been the retirement planning program, a major thrust to serve the needs of industral organizations and their employees on a national basis.

Conducted in cooperation with a consortium of 13 major corporations and unions, the program is an innovative approach to preparing employees in their forties and older for retirement. The new approach is based on advances in the behavorial sciences, and employs multimedia interactive techniques packaged as eight modules of training materials. The program is funded jointly by the consortium and the U.S. Administration on Aging.

Consortium members have participated actively in the design, development, and testing of the training modules. A typical module has audiovisual materials, a specially prepared booklet, and self-assessment aids for employee and spouse, individual and group exercises, minicases, and a seminar leader's guide. The modules are designed to enable an employee and spouse to actually produce a personal plan relating to each topic area covered.

The modules were subject to tryout-evaluation-revision cycles by preretirees from the consortium corporations until they met established effectiveness criteria.

Harris poll.—In 1975 NCOA published the results of a far-reaching national poll to determine society's attitudes on aging. The survey, conducted for NCOA by Louis Harris & Associates, is titled "The Myth and Reality of Aging in America." It pinpointed attitudes of workers of all ages, and of persons with hiring responsibility, on such topics as age discrimination, mandatory retirement, reasons for continuing employment, income adequacy, and many others.

CEO survey.—Last year NCOA was instrumental in developing a survey of chief executive officers and personnel directors of the country's largest corporations on their attitudes toward older workers and retirement, and their own retirement preparation practices. The survey revealed a heightened awareness among corporate leaders of inflation's grave implications for retiring employees.

National Association of Older Worker Employment Services (NAOWES).—This association was created in 1978 as an NCOA program under the National Institute of Age, Work, and Retirement, in response to members who wished to establish a national forum for an exchange of ideas and to have an impact on public policy recommendations. NAOWES was also designed to provide training and technical assistance to local groups who wish to assist older workers in obtaining employment.

Economic Development Administration.—The Economic Development Administration of the U.S. Department of Commerce approved a grant to NCOA in 1977 to conduct a training and technical assistance project on "Economic Development and the Older Worker." On the premise that the legislative mandate for EDA is job creation, the grant was designed to use EDA's district development system to insure that jobs created by public works projects and through loans and grants to private industry would be distributed equally to all ages.

The project, while of short duration, was significant because it recognized that older workers were an important human resource. It emphasized that effective manpower utilization is a significant part of economic development and that knowledge of older workers' potential is an important factor in effective development.

Industrial health counseling demonstration project.—One of the Institute's most effective demonstrations was its Industrial Health Counseling Service (IHCS) in Portland, Maine, which adapted an age-free method for matching workers to jobs. Funded by DOL, IHCS perfected a technique originally implemented and tested by the Canada Veterans' Administration, applied successfully and still in use at de Havilland Aircraft in Toronto. The method was, according to a DOL publication, a "giant step toward changing industry's attitude toward the aging process."

An analysis of the result of testing 4,000 applicants and matching them with appropriate jobs showed that workers processed through the system reduced the turnover rate in participating industries, eliminated workmen's compensation claims, and resulted in higher morale, from workers being placed in compatible jobs.

The senior community service project (SCSP).—This program, NCOA's largest, was initiated in 1968 under a DOL contract as a demonstration program focusing on disadvantaged older workers.

SCSP gives older persons jobs as bilingual tutors, hospital and mental health aides, day-care assistants, crime prevention counselors, paralegals, housing advisors, mobil library drivers, vocational counselors, casework and clerical aides, and assistance to the handicapped. Jobs also are available in the fields of recreation, energy conservation, and restoration as recreation supervisors, park and museum guides, tribal historians, energy auditors, and home repair aides.

Benefiting the elderly in particular are jobs in nutrition programs, senior centers, health and home care, transportation, information and referral services, employment assistance.

Age discrimination.—Through its Public Policy Center, its publications, and speeches and contacts by staff and board members, NCOA worked very hard to bring about enactment of the 1978 Amendments to the Age Discrimination in Employment Act (ADEA). Of course, that effort benefited enormously from the leadership of this committee, and we were successful. The same year saw strengthening amendments to the other antiage bias law, the Age Discrimination Act of 1975, and NCOA was in the forefront of that struggle as well.

NCOA is proud of its record of advocacy and achievements on behalf of middle-aged and older workers, and persons of those ages who would work if the opportunity arose. But as today's testimony demonstrates, the fears and anxieties about the "graying" of the work force are widespread; myths about older workers' capabilities persist; those contemplating retirement are given pause by months of 15 to 18 percent annual inflation rates, and those already retired are compelled to go looking for work again to keep from sliding into poorer economic condition.

The committee is to be commended for recognizing these problems, and addressing them in the course of this series of hearings.

I will not recite the litany of barriers facing the full use of middle-aged and older persons in the work force; rather, what I will try to do in this statement is to lay out a few basic strategies that seem to hold some promise in removing, or at least diminishing, those barriers.

One might characterize these recommendations as the "three E's"—enforcement, education, and exhibitions.

First: *Enforcement.*—Great strides in enacting antiage discrimination legislation have been taken in recent years. The ADEA, first enacted in 1967, remains the major weapon for fighting age discrimination in the job market on the basis of age. The number of complaints received by the Department of Labor rose from 1,000 in 1969 to almost 4,300 in 1978, and more than $16 million of income was restored to individuals over that period. The volume of complaints has apparently grown even heavier since transfer of ADEA enforcement authority from DOL to the Equal Employment Opportunity Commission. Yet thousands of protected workers know nothing of their rights under this law, or learn about their rights after the deadline for filing a complaint has passed. More and more cases are also beginning to be decided against older workers as the exceptions in the law are given broad judicial interpretation.

NCOA urges this committee to take the lead in strengthening the ADEA in a variety of ways:

Procedural requirements should be simplified, and access by plaintiffs to class actions should be improved.

The upper age limit for protection under the act, 70 years for most employees, should be abolished.

Irrational exceptions to the ADEA, specifically those for tenured college faculty and for highly paid business executives, should be repealed.

The exception permitting discrimination when age is a "bona fide occupational qualification" should be sharply restricted. Employers are increasingly construing strength or agility requirements, among others, as age "BFOQ's."

A frequently overlooked tool in helping older workers find and retain jobs is the Age Discrimination Act of 1975. It is not primarily an employment law; in fact, the only employment program covered expressly is the Comprehensive Employment and Training Act (CETA). While the ADEA is patterned after title VII of the Civil Rights Act of 1964, the ADA parallels title VI of that act. Its purpose is to prohibit discrimination on the basis of age in programs receiving Federal funds, and some of those funds are aimed squarely at helping persons finding unsubsidized employment.

Title II (parts A, B, and C) of CETA, for example, provides comprehensive employment and training services. Although persons over age 55 constitute about 9 percent of the Nation's unemployed, only 2.9 percent of the CETA employment and training participants in 1979 had reached that age. The U.S. Employment Service referred about 300,000 persons over age 55 to job openings in 1979—about 3.5 percent of the more than 15.5 million persons so referred. Both of these programs are covered by the ADA—yet the Department of Labor, more than 6 months after the deadline, has yet to issue even proposed regulations applying the ADA to Labor programs.

This committee has been a pivotal force in getting the Administration on Aging to issue long-overdue regulations for title III of the Older Americans Act; NCOA urges that you take a similar leadership position in forcing DOL and a dozen other Federal agencies to issue the ADA regulations that were due to be issued last September. Furthermore, we believe the committee should examine closely the need to tighten the loopholes ripped in the law by the governmentwide regulations now in effect.

These actions in the area of enforcement could significantly improve the chances of many older workers to keep their jobs, or find new ones if the need arises.

The second "E" of this series of suggestions is: *Education.* Both employers and employees must be educated in a variety of areas.

One group of employees in obvious need of education are those who, in their forties and fifties find themselves out of work because of downturns in the economy or in a particular industry. Thousands of steel and auto workers are today trying to stitch together a new worklife after massive layoffs and terminations in those industries. Although the focus of this hearing is to find ways to keep older workers on the job, we must ask, what happens when that job disappears? Middle-aged and older workers, faced with larger financial obligations, with fewer prospects for work at their generally higher wage levels, are in desperate need of help. We need to make retraining more available at all levels, through devices such as CETA and the Trade Adjustment Assistance Act, to help middle-aged and older workers make job transitions and remain productive.

Another aspect of worker education is education about their rights under the laws discussed above. The ADEA requires employers to post signs telling workers there is a law against age discrimination, but a much more systematic, aggressive information campaign needs to be waged by both EEOC and the Labor Department.

An even greater education job about ADEA is needed among employers. Not the major national corporations scheduled to testify before the committee on this subject next month—they are well aware of their duties under the law. Those in need of enlightenment are the great number of smaller and medium-sized firms, with anywhere from 20 employees to 1,000, who simply have not had the law's requirements brought home to them.

In conjunction with its senior community service project, NCOA is conducting community seminars on ADEA and the older worker around the country. These seminars have reached almost 600 small companies—with up to 3,000 employees—over the past 15 months. Often, tangible (though statistically insignificant) gains result immediately from these seminars. Our staff finds older workers sit in on these sessions, and many a company president has heard something like, "Your factory wouldn't hire me because I was too old." And many of those who speak up find themselves with job interviews later the same day, and eventually with jobs at the company that had rejected them before. Employers need to learn about their ADEA obligations, and we need to help them learn.

NCOA's community seminars help assure compliance with the ADEA, but, in addition, they give employers insight into those areas where middle-aged and older workers are being underutilized. Correcting this underutilization has definite benefits to the employer—improved work force productivity, and higher potential profits for the company. The tool NCOA uses in this process is an "age profile," or, as it is more commonly called, an age audit, of the work force. (We prefer the "profile" label because it captures the nonthreatening nature of the process better than the term "audit.") The completed age profile analyzes personnel actions—hirings, promotions, terminations, assignments, compensation, etc.—by age, for various occupations in the company. The profile becomes a preventive tool. Management need not wait for a complaint to be filed, potential problem areas can be identified and remedied long before that stage.

Another major unmet educational need relates to the reams of research on middle-aged and older workers, much of which is the subject of today's testimony. Test information is being developed in areas such as older worker productivity, adaptability, training receptivity, constancy, and other characteristics. When NCOA did a survey last fall of relevant published studies on functional capacity, for example, the bibliography contained 150 references and ran 11 pages in length. These studies are far from complete or conclusive, and more research has to be done. But we need to take advantage of what is in existence, to communicate what we already know to the employers and policymakers who can put it to use now. NCOA does some of this communication through its journal, other NCOA publications, the community seminars, sessions at our regional and national meetings, and in other forums, but the task is monumental. Not only do we need to enlist others in this communications process, but we must sort out the most effective techniques of communication and make use of them. We need, in short, a dissemination strategy.

Such a strategy would play a part, not only in education, but also in the third tine of the three-pronged recommendation: *Exhibitions*. NCOA's retirement planning program, which is described above, is a good illustration of this technique. We gathered existing data about a variety of topics relevant to retirement considerations, coupled them with proven learning techniques, and began working with employers and unions to test, refine, and publicize the program. The economic development program, also described earlier in the statement, demonstrated how economic developers could assure that workers of all age groups profited from the job-generating impact of a particular project. Many other potentially fruitful demonstrations are described in the research and development plan compiled for the Labor Department by another of today's witnesses, Dr. Harold L. Sheppard. That document, "Research and Development Strategy on Employment-Related Problems of Older Workers," gave high priority to conducting such demonstrations as part-time employment, tapered retirement, skill upgrading for older minorities, and expansion of apprenticeships to workers over age 40.

Demonstrations, or exhibitions, take principles which are sound but obscure, and implement them in practical ways. DOL, AoA, and the private sector—both nonprofit and for-profit—should be cooperating in devising, conducting, and evaluating demonstrations affecting older workers, and then disseminating the results.

Mr. Chairman and members of the committee, the problems facing older workers in the private sector today are not simple ones, and they will not yield to simplistic solutions. You cannot abolish by statute the stereotypes about the aging process that people have taken decades to accumulate. But I believe the steps I have outlined for you today can help bring about, at a relatively modest cost, tangible improvements in the lives of millions of older people, as well as a more productive society for us all.

Thank you very much.

Senator CHILES. Dr. Woodruff.

STATEMENT OF THOMAS C. WOODRUFF, PH. D., WASHINGTON, D.C., EXECUTIVE DIRECTOR, PRESIDENT'S COMMISSION ON PENSION POLICY

Dr. WOODRUFF. Mr. Chairman, I would like to address the issues that you have under consideration today from a different perspective than the other panelists. My remarks will focus on the difficulties that older Americans face in retirement. I will also briefly outline the problems of our traditional retirement systems as they attempt to meet the needs of the elderly. Both of these developments have a significant effect on possible policy initiatives related to increased work opportunities for our senior citizens.

As you know, the President's Commission on Pension Policy was established by Executive order and authorized by Congress to provide the country with an overall retirement income policy. Put simply, our present system of retirement income is a hodgepodge. We have no overall national pension policy. Nor has the country arrived at an accepted definition of what constitutes an adequate retirement income.

The Commission will be issuing an interim report to the President and the Congress later in May. Many of the issues we are discussing today will be addressed in that report. In fact, one of our study groups is expected to make specific recommendations regarding employment opportunities for the elderly. And, this overall question will be addressed by the Commission as it considers the relative roles of social security, employer-based pensions, personal savings, and work in providing income to older Americans.

I think you can appreciate my role today as Executive Director of a Commission that has not yet issued an interim report. Because of this situation, my comments may not be as specific in an advocacy role as some of the other panelists. However, I will provide you with some of the initial data from some of our surveys and other studies.

At the very heart of our study and recommendations lies the question of how to provide older Americans with an adequate level of income in their later years. The country's retirement income resources, both public and private, are already straining at their limits. We can expect that increasing amounts of the national income will be devoted to pension benefits in the very near future as our population ages and lives longer once they have retired.

Total retirement, disability, and survivors benefits have grown from 2 percent of the gross national product in 1950 to over 8 percent of the gross national product by 1975.

In the face of mounting pressures brought about by increased pension benefits, high rates of inflation and a larger aged population which is living longer in retirement, it is obvious that the Nation's policymakers must examine every option in providing additional income resources to the elderly. It would also be good policy to encourage more individual initiative.

One policy initiative to relieve the intergenerational dependence and financial strains on our retirement system would be to increase work efforts voluntarily. This could be accomplished through work incentives and increased job opportunities for older persons.

I do not mean to suggest that increased employment opportunities for the older worker is a panacea. There are, unfortunately, no simple solutions. Mr. Chairman, as you mentioned in your opening statement this morning, we have witnessed a trend toward earlier retirement. In 1979, only 62 percent of males aged 60 to 64 were in the labor force compared to 75 percent in 1970. This indicates a lessening of the role of work income and a growing dependency on retirement programs for those in that age bracket.

The President's Commission is considering a number of policy initiatives which could increase work incentives and job opportunities for the elderly. We are in the process of reversing that trend. A few of the very general recommendations that are before the Commission next week include the elimination or modification of the social security earnings test, encouragement of alternative work patterns, and encouragement of retraining programs.

Other possible work incentives include requiring pension accruals for those workers over age 65 in private employer-based pension plans. Currently regulations permit pension plans to freeze accruals after a worker reaches age 65. In addition, there is the issue of lifting the age 70 mandatory retirement. This is another subject the Commission may deal with next week.

At this point let me describe why work incentives for the elderly are so important by giving you some of the preliminary results of a nationwide survey on retirement income questions which was sponsored by the Commission and several other Government agencies and carried out last fall.

According to our survey, we are witnessing the disturbing development of a two-class system of retirement income in this country. One group of senior citizens lives fairly well in retirement because they receive social security benefits and some benefit from an employer pension plan. A second group of older Americans has to rely primarily on social security to maintain a minimum standard of living in retirement. The question for national policymakers is: Should we or can we allow this development?

Let me list a few results of our survey, and another survey that was conducted by the Department of Labor and the Social Security Administration.

According to the first results of a survey conducted by the Department of Labor and the Social Security Administration, pension coverage in the private sector has flattened out. Their survey shows that 49 percent of the full-time working population in industry was covered by a private pension in 1972. By 1979 the coverage had only increased to 51 percent. According to the same survey, however, vesting in the private sector has increased because of ERISA. In 1972, 32 percent of those covered by private pensions were vested. By 1979, 48 percent of those covered by private pensions are actually entitled to benefits. I might remind you, however, that this is still about 25 percent of the total work force.

According to the poll sponsored by the Commission, approximately 58 percent of all workers expect social security to be their primary source of retirement income while about 22 percent expect employer-based pensions to be their main support—15 percent expect to rely on personal savings, while only 2 percent hope that their family or children will support them in retirement.

Our poll also found an overwhelming majority of the population, 89 percent, say that they will definitely or probably receive social security benefits, a somewhat different finding than the Harris poll issued last year. We found that about 48 percent anticipate they will receive some benefits from an employer-based pension. Our survey also found a profound pessimism in this country, regardless of age or sex, about their retirement prospects. When asked whether they expected their retirement income to be adequate for their needs, 63 percent answered "probably not" or "definitely not." This response shows that people are not confident in the ability of our Nation's retirement income systems to provide adequate pensions.

Along the same lines, 52 percent of those surveyed said that they expected to live at a lower standard of living after retirement. Without generalizing too much, the survey found that women tend to be more pessimistic than men. And older women workers facing retirement tend to be more cautious about the future than younger workers.

Our survey respondents are not optimistic about future economic trends either. I might add that this survey was taken before our recent outbreak of double-digit inflation. Fifty-eight percent expected continued high inflation every year while 60 percent forecast that the country's economic conditions will worsen.

What does this mean for pension policy? Restating my earlier remarks, work opportunities for the elderly and individual efforts become much more important policy objectives. At present, income from employment is not as significant a source of income of support for the elderly as it had been in the not too distant past. That is because of the well-documented trends over the past decades toward earlier and earlier retirement. While there have been a few indications that that may be slowing, we found one disturbing figure in our survey that tends to offer not much hope for the future.

Our survey indicated that even though many pension benefits may be actuarially reduced and that people expect inflation to continue at high levels in the future, over 47.5 percent of the working population expect to retire at age 62 or before. This is an even earlier number than is currently the case, indicating a potential for even greater dependency on our retirement income programs in the future. As I indicated, these are just our preliminary findings. We will be continuing to analyze the results of this survey over the next several weeks.

With your permission, Mr. Chairman, I would like to submit our completed tabulations for your hearings record at this time.

Senator CHILES. The committee would like to have that for the record.

Dr. WOODRUFF. In conclusion let me commend the committee for its interest in this area. I hope that the upcoming recommendations of the President's Commission on Pension Policy will add impetus to your thoughtful efforts.

Thank you.

Senator CHILES. Thank you. Your prepared statement, with the tabulations referred to, will be entered into the record now.

[The prepared statement of Dr. Woodruff follows:]

PREPARED STATEMENT OF DR. THOMAS C. WOODRUFF

Mr. Chairman, members of the committee, I would like to address the issues you have under consideration today from a different prospective. My remarks will focus on the difficulties that older Americans encounter in retirement. I will also briefly outline the problems our traditional retirement systems are having as they attempt to meet the needs of the elderly. Both of these developments have a significant effect on possible policy initiatives relating to increased work opportunities for our senior citizens.

As you know, the President's Commission on Pension Policy was established by Executive order and authorized by Congress to provide the country with an overall retirement income policy. Put simply, our present system of retirement income is a hodgepodge. We have no overall national pension policy. Nor has the country arrived at an accepted definition of what constitutes an adequate retirement income.

The Commission will be issuing an interim report to the President and the Congress in late May. Many of the issues we are discussing today will be addressed in the report. In fact, one of our study groups is expected to make specific recommendations regarding employment opportunities for the elderly. And, this overall question will be addressed by the Commission as it considers the relative roles of social security, employer-based pensions, personal savings, and work in providing income to older persons.

I think you can understand my role today as Executive Director. My comments cannot be as specific as those of the other panelists because the Commission has yet to make its initial policy recommendations.

At the very heart of our study and recommendation lies the question of how to provide older Americans with [illegible] adequate level of income in their later years. The country's retirement income sources, both public and private, are already straining at their limits. We can [illegible] that increasing amounts of the national income will be devoted to pension benefits in the very near future as our population ages and lives longer in retirement.

Total retirement, disability, and survivors benefits have grown from 2 percent of the gross national product in 1950 to 8 percent of the GNP in 1975.

In the face of mounting pressures brought about by increased pension benefits, high rates of inflation, and a larger aged population which is living longer in retirement, it is obvious that the Nation's policymakers must examine every option in providing additional income resources to the elderly. It would also be good policy to encourage more individual initiative.

One policy initiative to relieve the intergenerational dependence and financial strains on our retirement system would be to increase work efforts voluntarily. This could be accomplished through work incentives and increased job opportunities for older persons.

I do not mean to suggest that increased employment opportunities for the older worker is a panacea. There are, unfortunately, no simple solutions. The present and future problems associated with retirement income policy are going to require an unusual degree of insight and understanding on the part of the policymakers. However, equitable and efficient answers can be found.

The trend over the last several decades has been for more males in the age categories 65+, 60–64, and 55–59, to leave the labor force. Although early retirement under social security was provided for males in 1961, the decade of the seventies has seen the largest drop in labor force participation in the age category 60–64. In 1979, only 62 percent of this group are in the labor force compared to 75 percent in 1970 and 78 percent in 1960. The proportion of women aged 60–64 has also dropped in the seventies although still above the 1960 and 1950 figures. Older women had been experiencing a countertrend of increased participation.

And, while other workers generally experience lower unemployment rates than younger workers, their length of unemployment tends to be longer. The highest average duration of unemployment in 1979 for any age group was the 17 weeks for those aged 55–64. This compares to about 11 weeks for all those 16 and over. Lengthy periods of unemployment may lead to early involuntary retirement or becoming a discouraged worker and ceasing to look for a job.

As you know, workers aged 40–70 are protected from age discrimination on the job by the Age Discrimination in Employment Act (ADEA). However, litigation under ADEA indicates, and surveys have shown, that such discrimination exists. And, although the 1978 ADEA amendments increased the permissible mandatory retirement age from 65–70, early indications are that this will do little to keep older workers on the job beyond age 65.

There are usually at least three elements present, to a greater or lesser extent, in every retirement decision: (1) State of health; (2) anticipated retirement income; (3) relationship of the worker to the job. Surveys have shown that poor health can be of paramount importance. Yet it can also be a socially acceptable reason for disguising dislike of a job or inability to find employment. But, by and large, poor health literally forces some people to retire unwillingly and is a deciding factor for other voluntary retirement. Illness is also important in very early retirement.

The relationship of the worker to the job is a factor that may keep older workers on the job or push them into retirement. Some workers may wish to retire at the earliest possible moment while others, when asked when they will retire, confidently reply "never." Occupations and the nature of the employer are also factors. Persons who are self-employed in small businesses or professional practices do not have any institutional pressures to retire and have more control over their working time than those who are employees. Small firms tend to not have mandatory retirement ages or pension plans while larger firms have both. Persons in occupations such as college teaching are able to have flexible hours and favorable working conditions which encourage later retirement while blue-collar workers in factories must punch a timeclock and may have other constraints and less favorable working conditions which encourage early retirement.

The President's Commission is considering a number of policy initiatives which could increase work incentives and job opportunities for the elderly:

Elimination or modification of the social security earnings test.

Alternative work patterns. In order to retain older people in the labor force we might encourage part-time work, staggered work hours, and sabbaticals. Work sharing is another possibility.

Retraining. Another approach would be to retrain older workers in the labor force and to offer increased educational opportunities to accomplish the same purpose.

At this point, let me describe why work incentives for the elderly are so important by giving you some of the preliminary results of a nationwide survey on retirement income questions which was sponsored by the Commission and several other Government agencies.[1]

According to our survey, we are witnessing the disturbing development of a two-class system of retirement income in this country.

One group of senior citizens lives fairly well in retirement because they receive social security benefits and some benefit from an employer pension.

A second group of older Americans has to rely primarily on social security to maintain a minimum standard of living in retirement.

The question for national policymakers is: should we, or can we, allow this development?

Let me list a few results of two nationwide polls which verify my point:

According to the first results of a survey conducted by the Department of Labor and the Social Security Administration, pension coverage in the private sector has flattened out. The DOL/SSA survey shows that 49 percent of the full-time working population in industry was covered by a private pension in 1972. By 1979, the coverage has only increased to 51 percent[2] (see chart 1).

According to the same DOL/SSA survey, vesting in the private sector has increased because of ERISA. In 1972, 32 percent of those covered by private pensions were vested. In 1979, 48 percent of those covered by private pensions are actually entitled to benefits.

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[1] The President's Commission on Pension Policy, the Department of Labor, the Pension Benefit Guaranty Corporation, the Administration on Aging, and the Social Security Administration are sponsoring a $1.2 million nationwide, random survey and analysis of 6,600 households on retirement income issues. The first wave of the survey was conducted in October 1979 by Market Facts, Inc. A followup survey on some questions will be conducted with the same respondents in October of this year. Final survey analyses on the primary questions relating to the impact of social security, employer pensions, and other forms of retirement income on personal savings behavior and capital formation is being done by SRI International.

[2] "Survey of Pension Plan Coverage, 1972 and 1979," Department of Labor/Social Security Administration.

According to a poll sponsored by the Commission, 57.9 percent of all workers expect social security to be their primary source of retirement income, 21.6 percent expect employer-based pensions to be their main support in retirement, only 15.1 percent expect to rely on personal savings, while only 1.7 percent hope their family or children will support them in retirement (see chart 2).

Our poll also found an overwhelming majority of the population, 88.7 percent, say that they will definitely or probably receive social security benefits, 47.8 percent anticipate that they will receive benefits from an employer-based pension (see chart 3).

Our survey also found a profound pessimism in this country regardless of age or sex, about their retirement prospects. When asked whether they expected their retirement income to be adequate for their needs, 62.9 percent answered probably not or definitely not. This response shows that the people are not confident of the ability of our Nation's retirement income systems to provide adequate benefits to the retired (see chart 4).

Along the same lines, 51.8 percent of those surveyed said they expected to live at a lower standard of living after retirement (see chart 5).

Without generalizing too much, the survey found that women are more pessimistic than men. And, older workers facing retirement are more cautious than younger workers.

Our survey respondents aren't optimistic about future economic trends either, 58.3 percent expect continued, high inflation every year while 61.4 percent forecast that the country's economic conditions will get worse (see charts 6 and 7).

What does this mean for pension policy? Restating my earlier remarks, work opportunities for the elderly and individual efforts become much more important policy objectives. At present, income from employment is not as significant a source of support for the elderly as it was in the past. That's because of the well-documented trends over the past two decades toward earlier retirement. Even though many pension benefits may be actuarially reduced and people expect inflation to continue at high levels, our survey shows that 47.5 percent of the working population expected to retire at age 62 or before (see chart 8).

In conclusion, let me commend the committee for its interest in this area. I hope that the work and recommendations of the President's Commission will add impetus to your thoughtful efforts.

CHART 1.—PRIVATE PENSION PLAN COVERAGE

[In percent]

Coverage [1]	1972	1979
Male	54	56
Female	38	41
Total	49	51

[1] Full-time workers, age 16 and over, excludes self-employed.

Source: DOL/SSA.

CHART 2.—EXPECTED PRIMARY SOURCE OF RETIREMENT INCOME

[In percent]

	Age					
	18–29	30–39	40–49	50–59	60–64	65 plus
Social security (57.9 percent):						
Female	75.3	58.3	68.9	73.6	87.8	80.4
Male	42.0	37.6	45.3	49.3	67.1	75.2
Employer-based pension (21.6 percent):						
Female	18.1	16.4	15.7	15.2	8.2	8.6
Male	24.9	36.6	34.6	34.7	22.3	14.2
Personal savings (15.1 percent):						
Female	17.4	16.4	9.0	5.3	6.9	8.2
Male	28.6	20.2	6.1	9.3	7.5	7.4

CHART 2.—EXPECTED PRIMARY SOURCE OF RETIREMENT INCOME—Continued

[In percent]

	Age					
	18–29	30–39	40–49	50–59	60–64	65 plus
Income from children or family (1.7 percent):						
Female	2.6	3.3	3.3	3.2	2.6	1.9
Male	.1	.3	....	.5	.6	1.2

CHART 3.—EXPECTED SOURCES OF INCOME AFTER RETIREMENT

[In percent]

	Social security	Employer-based pension
Definitely not	5.1	36.0
Probably not	6.1	16.1
Probably	17.1	15.6
Definitely	71.7	32.2

CHART 4.—*Whether retirement income adequate for financial needs*

	Percent
Definitely adequate	**5.7**
Probably adequate	**31.3**
Probably not adequate	**33.8**
Definitely not adequate	**29.1**

CHART 5.—*Expected standard of living after retirement*

	Percent
Higher standard of living	**7.8**
About the same standard of living	**40.4**
Lower standard of living	**51.8**

CHART 6.—*Opinion about future inflationary trends*

	Percent
High inflation will continue each year	**58.3**
Moderate inflation/less than now	**31.9**
Inflation halted in future	**9.9**

CHART 7.—*Expected change in country's condition*

	Percent
Improve	**16.0**
Stay about same	**23.9**
Get worse	**60.1**

CHART 8.—*Age at which respondent expects to quit working full time*

[In percent]

Less than 55	14.0	65	41.9
55	7.3	66	.2
56	.2	67	.2
57	.5	68	.5
58	.6	69	.1
59	.3	70	5.1
60	9.9	71	.1
61	.4	72	.2
62	14.3	73	.1
63	1.0	74	
64	.5	75 and over	2.4

Senator CHILES. I would like to start off with this question. About the cost of later retirement to the employer, wouldn't the salary of the younger worker be cheaper? What about fringe benefits—such as health and life insurance—won't these actually be more expensive?

Mr. ROSOW. Part of that statement is true. We build seniority into compensation practices in the United States and that is a recognition of both the quality, the loyalty, and the continued service of people, particularly when they reach a point when they are not continuing to be promoted. However, in our report we make a point of asking employers to take a new look at the equation.

The old stereotype, that it is always cheaper to hire a younger worker, now should be set against the question of what it costs to retire an older worker. In other words, we say to employers, take the pension value of the person retiring and deduct it from the salary and benefit cost of the person remaining as an active employee, and that is the net cost effect of keeping an older worker versus hiring the younger worker. We don't believe that this equation has been surfaced or oriented for use in industry simply because of the way in which the books are kept. The employment cost shown on your direct payroll as a manager of a department or a profit center is the active employment cost, and the inactive costs that are carried through an actuarial fund are not charged back in the books to the individual operating profit center. Therefore, you have an incentive as a manager to retire an older worker and hire a younger worker because the way the books are kept shows a net reduction of cost. If the pension costs were added to the equation, which part of the true cost of the employer as a whole, you get a different answer.

Dr. SHEPPARD. May I put Mr. Rosow's point on a more personal anecdotal level? I meet pension fund managers who say they are getting very irritated by their payroll manager peers who are dumping their problems onto the pension fund.

I also want to add that you have to reckon in the costs of recruiting a younger worker, training that younger worker and losing that younger worker through high turnover. There have been some case studies on an individual firm basis showing all these costs, and not concentrating simply on a single variable of the wages of the older worker versus the wages of the potential applicants; that the problem is not just wages. That must be considered.

Mr. **Batten**. One of the points that should be made is that in the Federal regulations to the 1978 amendments to the Age Discrimination in Employment Act it allows employers to cut off or freeze pension accrual after age 65 and an individual who is hired after age 60 need not be enrolled in a defined benefit pension plan. Furthermore, as far as life insurance and disability costs go, an employer is only obliged to contribute the same amount as he does for younger workers and he can pay the older over-65 individual less benefits. So the discriminatory features of these regulations tend to mitigate the costs of hiring and retaining an older worker and I think they should be eliminated.

Dr. **Sheppard**. Mr. Batten should mention—I am sure he meant to—that the employer saves money with the 65-plus worker because he does not have to pay as much for medicare.

Mr. **Batten**. That is true.

Dr. **Sheppard**. All are requiring their employees 65 and over to register for medicare which saves them a few bucks.

Mr. **Kunze**. Your criterion is the one that employers use as a truism and they use it in their manpower planning and that is one of the reasons why older people do have difficulties. As Dr. Sheppard has said, there are many factors involved and many employers have not even made the effort to find out whether this is correct or not. Dr. Sheppard mentioned turnover and training costs as very important, but in some industries, especially some occupations, you have a problem of poor quality of workmanship among your younger people, causing higher rework costs. Whether the costs are higher or not depend really on the company, the product and the circumstances.

Senator **Chiles**. In the President's proposal, of course, he had proposed that we would have the employer pay for the medicare benefits of employees over 65. That is something that I opposed in the Budget Committee markup—because any savings that might result from that, I think, would work as a disincentive if the employer was forced to pay that. I think that would be one more reason they would look at why they would not hire older workers and I think that is the wrong place to try to get savings. As you know, we are going to be hearing from the panel of corporate executives to get their views on these issues and I would like to know from you gentlemen what kind of questions you think that we ought to be asking them.

Dr. **Sheppard**. What about asking them to come equipped with the very systemic analysis of the costs of retiring older workers and hiring younger workers in terms of the variables we have mentioned? Recruitment costs, hiring costs, training costs, scrappage and wastage, and callbacks. There is certain absenteeism, turnover.

Incidentally, Senator, you know the way a variety of economists can flip-flop on different problems. Three years ago there was talk about how we have to get rid of older workers because they are not very productive. Now they are talking about the declining youth population in the work force, and that with the aging of the work force, we can count on productivity improving. So I've been asking them to make up their minds on what is the right perspective.

Mr. **Batten**. I think a very important question to lay on the table for the employer group is the kinds of information they need to help resolve the issues of the aging worker. For example, section 3 of the Age Act mandated a large educational program to get the kinds of facts and information I have been hearing today to the employer community so they can use those. Now part of that depends upon, of course, the Government agencies who are supposed to sum this up and deliver it, but one of the things to do is to simply inventory them.

In many cases these age discrimination cases are not deliberate, they just happen because of stereotypes, and because those who make the key decision simply lack the information. I think if you shared that with the employer group, then you don't look at them in terms of oversight but really reaching out to them and saying that you and the committee and the Government, as such, want to facilitate older worker needs that but let's hear it from you what you need. In many cases a little inventory on what they think the critical issues are that they need to know would be most helpful for all parties concerned with the positive utilization of the older worker.

Mr. **Kunze**. I would like to have you ask them what policy statements their company has regarding older workers, and also whether age has been incorporated into their affirmative action programs. Some companies have added age to their affirmative action coverage. In many cases, as you go down to lower supervisory levels, the less-informed supervisors are not aware of the Age Discrimination Act and related legislation. At higher levels there is some awareness of the legislation, but it does not get down to the action levels where the discrimination actually takes place.

One good reason for a policy is that people read them. Policies are guidelines and are taken seriously because many have been burned by not following policies in other areas. One way really to help this whole cause is to encourage top management people to issue policy statements on age discrimination and compliance with the act and also to simply place the age variable in their affirmative tax programs.

Mr. **Rosow**. I misunderstood Mr. Kunze's comments. As a result of our survey of the 1,300 corporations, many wrote to us or called us and said:

> We don't have any special programs for older workers but we are anxiously looking forward to your report. We would like to look at it in terms of what we can do.

As we began drafting even the title of the report itself, which we originally titled "Personnel Policies for the Older Work Force," we realized that that suggested a dichotomy in policy. Our national advisory committee of labor, management, academic, and Government people, pointed out that we should talk about all workers—not divide on the basis of age, sex, religion, national origin, or anything else. We did not want to pit the older worker against somebody else, or the younger worker against the older worker. So in our report, which deals exactly with what Mr. Kunze is talking about, we have asked corporations to reexamine all of their personnel policies to eliminate age discrimination that is either overt or implicit. For example, in development programs it may not be stated in writing, but after a certain age, say 45, you are not put on the executive development track because the assumption is that you are burned out and you are not going to make it.

That type of thinking has to be eliminated. So we talk about age-neutral or age-sensitive approaches, based on the kind of information that we are receiving from biomedics, on the increased vigor of people, and on the law, all these things combined. So I would argue for a broader set of personnel policies but not ones that are preferential toward the older worker.

One last comment. One of the biggest problems in the eighties that this Congress, the Government, and the private sector must face, is that the baby boom of the post-World War II period is now a middle-aged work force congestion problem in the 1980's. We are going to have a 52-percent increase in the labor force of people from age 25 to 44. Therefore, we are facing a problem in the period of slow economic growth, high energy costs, and high inflation: The problem the employer faces is that of a tradeoff, or a rebalancing, of the policies that this committee would seek—and as we in our testimony have urged—in the face of the demands of the relatively younger, highly ambitious people, who want recognition and advancement.

Mr. **Batten**. Mr. Chairman, I think I would have to disagree with that. If we had a race neutral policy or a sex neutral policy in human resources, a lot of women would still be secretaries and blacks would still be loading something or other in the backroom or something like that. I really think older workers have seen this. They have seen the blacks get jobs, they have seen women gain advances and they have seen the Chicanos make it. An older worker civil rights movement is a real possibility. With all due respect to those over 65, they seem to accept retirement, but your 55-year-olds are a different kettle of fish. That is a bad analogy, I guess, but they have seen the civil rights movement come and go and they are not going to sit back. They are a sophisticated group perfectly capable of spearheading their civil rights movement. They learn from the blacks and learn from what women have done. Otherwise, if you don't meet your older worker fairly and squarely in the workplace, you are going to meet him in the Federal district courts.

Dr. **Woodruff**. One of the questions the Commission is grappling with, is pension accruals for workers after age 65. Proponents of work incentives for older workers have supported the idea of pension accruals. I think one of the questions that we would like to have addressed by the employer group would be whether their attitude toward workers over 65 would change if pension accruals are required.

The flip side of providing more incentives for work is that there are no cost savings for pension programs themselves. A concern that we have with requiring the accruals is whether that would lead to discrimination of workers in those age brackets.

I might add also that our chairman will be among the group presenting testimony on May 13 and we hope also that he can share with you, in addition to his own corporate policies, some of the preliminary findings contained in the Commission's interim report.

Senator CHILES. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman.

I would like to ask Dr. Sheppard one question. As I recollect, in your remarks, Dr. Sheppard, you indicated that there was delay in the implementation of the 1978 Age Discrimination in Employment Act. Were you referring to the fact that the transfer of enforcement responsibility of the ADEA from the Department of Labor to EEOC caused, a period of confusion, or were you referring to the other facts?

Dr. SHEPPARD. I don't recall having said that but I am concerned about the transition problem. When I referred to ADEA it was with reference to our schizophrenia. We have this act but we also have some contradictory policies.

I do believe there is much more to be done in implementing the Age Discrimination in Employment Act, for example, an educational program among employers. I think we have to work on the assumption—it is a good working assumption—that a lot of this has to do with ignorance and unintentional behavior and also stereotypes. I am convinced most of our decisions and our behaviors are based on images in our mind.

Senator HEINZ. A number of people touched on the question of whether we should be more actively enforcing the Age Discrimination in Employment Act and the 1978 amendments. There are many ways of going about the enforcement. To what extent do you feel, for example—and I ask any of you to join in response to this question—is there proper emphasis within the EEOC affirmative action guidelines for the age discrimination in employment questions?

Dr. SHEPPARD. In the first place, the act does not require an affirmative action program. That could be considered one of the weaknesses.

Mr. KUNZE. Correct.

Senator HEINZ. Start on the left with Dr. Schaie and work across with your responses.

Are you urging that age discrimination in employment be covered by affirmative action? Yes or no?

Can I get a yes or no answer out of anybody?

Dr. SHEPPARD. Yes and no.

Dr. SCHAIE. That is right, the answer really is yes and no. [Laughter.]

Senator HEINZ. You gentlemen should be up here. [Laughter.]

Dr. SCHAIE. I think there are good reasons for a yes and no answer because in one sense, as has been recognized, aging affects all of us so that at some point along the age scale we, I think, do have contradictory interests. One of the things we have to be most careful about is that we do avoid what may be showing up on the economic side already as a generational conflict. I think part of the real time bomb here is the intergenerational conflict and that is something we must avoid. There may be some better alternatives for the elderly. I would argue, yes, of course, there ought to be affirmative action but I am also concerned about social peace in our country. I therefore say, wait a minute, let us think carefully about this.

Senator HEINZ. How much disagreement is there with that statement?

Mr. **Batten**. A lot. One, we have affirmative action programs by the Executive order that covers about everybody else imaginable from the handicapped to the Vietnam era veterans to blacks to Chicanos to other minorities and it does not cover older workers. Again it gets back to the point of what I said before. Age discrimination protection is like half a loaf of civil rights. Either we are consistent and allow this group of individuals to participate in the civil rights protection of the Nation and especially the affirmative action policies of the Government or we are not. As it stands now, we are discriminating by denying them access to the affirmative action programs. So I think we have to get off the stick and just simply be consistent or review our whole social policy and I don't think we are able to do that.

Senator **Heinz**. Mr. Kunze was nodding his head in agreement with what you said.

Mr. **Kunze**. Yes.

Senator **Heinz**. Mr. Kunze is a very active member on the NCOA and is not discriminated against and being left off the record here.

Mr. **Kunze**. I would like to read a paragraph from our public policy agenda.

Dr. **Sheppard**. Excuse me. I want to mention until May 1 I am a member of the board of directors of the organization he is talking about.

Senator **Heinz**. National——

Mr. **Kunze**. National Council on the Aging.

This is a part of our policy—it is a policy statement, and reads:

> We recommend modification by legislation, if necessary, of uniform guidelines on employee selection procedures adopted by EEOC and other Federal agencies to include age as a prohibited basis of discrimination. Further, the President should modify Executive Order 11246 requiring affirmative action statements and plans from organizations receiving Federal contracts to include older workers as a protected group. These actions would open new avenues of legitimate scrutiny of the treatment of older workers without unduly burdening employers.

I cannot understand why four departments of the Government a few years ago spent all this time and effort on these uniform selection guidelines, and neglected to consider age as one of the variables. I cannot understand the reason for that.

Senator **Heinz**. I think that is certainly unequivocal.

Let's assume for the moment that we are successful, whether it is by increased education and training programs, whether it is by virtue of employers being incredibly farsighted and seeing the value to them of keeping these more mature, more experienced, and in many respects wiser workers in the work force as a means to improving their productivity by whatever means that we succeed in getting more people to work longer voluntarily. At whose expense will that be? Will there be a genuine or a false intergenerational conflict? Will there be fewer job opportunities for younger people, women, minorities, entry level jobs, or will there not be? What is likely to be the case?

Who would like to tackle these questions?

Dr. **Woodruff**. I would like to start and then maybe others can fill in.

On the issue of future intergenerational conflicts, I think we have to look at future demographic trends. Future trends would indicate a shrinking labor force after the turn of the century. I don't think we should assume that the apparent younger worker versus older worker conflicts that may appear to be present as the baby boom enters into the mainstream of the work force will always be with us. We can expect in the future that the number of new entrants to the labor force will actually decline. I think that in the future the real intergenerational conflict potential is between those who are retired and those who are in the work force, not between younger workers and older workers.

Dr. **Sheppard.** I would like to expand on that, Senator. The issue is not intergenerational conflict vis-a-vis availability of jobs, which incidentally is based on a certain assumption about a fixed lump of labor supply theory. The real issue, as I see it, is whether or not the younger generation is going to continue to be willing to pay adequate support burdens in retirement, especially for groups of people who don't have to be retired. In meetings with young people and mixed-age audiences, I tell them I think, I pray, I hope to God you get the biggest wage increases you can from your employers because you are going to need more in order to pay for those who are going to be retired who you think should retire to make room for you to have jobs.

Mr. Rosow. I would like to take a qualified position on the affirmative action question. I don't think it is a total unmixed blessing and I don't think we should ignore the fact that the majority of the American work force is older. When you are women or blacks who are not in the work force and you are setting up timetables and goals, you are trying to raise the level, but when you already have a preponderance of older people in the work force it gets to be a pretty difficult problem for any management or any employer to see how to be equitable purely on the basis of age. So then you have to get into very concrete analyses. It is a very, very tough problem, and I know this is not popular with the advocates at this table and many people in this room, but the realities of it are that it is a trend and it has a lot of problems in it we should not oversimplify.

Second, we should not ignore the fact that the American labor movement—I am not a spokesman for big labor but we had labor on our committee—is not pushing for the extended working life. They are saying basically two things. One is, we want better pensions and earlier pensions. In other words, we like the 30-and-out philosophy. Second, we feel it serves two goals. One is it gives our people, many of whom don't like their jobs and are ready to have some leisure before they die, a chance to retire and have a pension; and it also shares work with other younger people in the declining industries, particularly in manufacturing where unionization tends to be heavy.

I must say I was shocked to find that there was such a strong position of American labor with regard to the extension of working life but you can see that this is dealing with a labor market phenomenon. We know that in the 1980's the labor force growth is going to decline from 2.5 percent to about 1.5 percent per year so we do have a problem of internal competition.

Finally, as I said in my introduction, Mr. Chairman, Senator Heinz, and Senator Percy, the factor of choice is very important. There are many people in our society who want to retire or who want to go into a phased retirement or change their lifestyle from a full commitment to work, and that choice should be open. We argue in our report very strenuously for the use of incentives and for use of choice.

Let me give one illustration. When a person reaches the social security age of 62 and goes out and starts drawing a social security pension for himself and his wife who is also retired, that is a big drain on the social security fund; but we don't give that person incentives under the law to continue working.

A good question for the employer, apropos Senator Chiles' question to the panel, is how would you feel if older employees were exempt from social security tax when they reach the social security age eligibility level and you as an employer were also exempt from that tax. That would represent almost a 7-percent incentive to both employer and worker. The other thing is that at the present time the law and social security have been amended to give the annuitant who passes up retirement and stays working a 3-percent annual increment for continuing to work. That is far below the actuarial savings to the fund and I would recommend that the Congress look at improving the incentives for older people to work—economic incentives—and to make the choice wider and more elastic and to make those incentives also available to employers. So I am for the use of enforcement.

Senator Heinz. My time has expired, Mr. Rosow. I think you make an excellent point. I suspect that we would be well served to realize that we are talking about two rather distinct issues, at a minimum. The first is, how do we structure what we have in this country to encourage those people who want to work, to work from age 65 to age *x*, which currently may be 70. That, I believe, is a critically important question. Perhaps even more important than my second question, which in terms of actual numbers of people, is what do we do about age 70 as the cutoff for the extension of the Age Discrimination in Employment Act provisions?

I don't ask any of you to comment on this, but I want to state for the record, I think that the second question will require a considerable amount of careful thought to determine how, or whether, or in what way we should address the issue of qualifications, standards, objective criteria—if any—by which we would judge a bona fide means of an employer bringing about retirement. There is a conflict in the panel, I sense, on whether we should or should not have objective criteria. It is a legitimate issue and an extremely difficult issue, and I hope that the committee will find the time to address it, if not today, on another occasion.

I can imagine the equivalent of OSHA, Occupational Safety and Health Administration, laws. We have massive books of guidelines of exactly how you address jobsite safety, and I could imagine almost—and I do not say this with great welcome in my heart—a similar heavyhanded approach to regulating employment of older workers. I don't know what the right answer is, but in fairness to Senator Percy, I cannot give you the opportunity to respond to anything I have been saying. I want to raise the issue, and then I am going to let Senator Percy deal with you and it.

STATEMENT BY SENATOR CHARLES H. PERCY

Senator Percy [presiding]. Thank you very much, Senator Heinz. If any of you would like to put into the record comments in response to Senator Heinz' question, we will keep the record open for that purpose.

The subject you are dealing with is extraordinarily important. I have grappled with it all my corporate life—struggling to find answers. Now we have a whole new set of circumstances. Ruinous inflation is destroying people's ability to retire in comfort. Certainly the primary consideration in workers deciding whether or not to retire is the adequacy of their income level, no question about that.

So I have two questions to put to you. The first one deals with lack of portability of pension credits. A mobile worker is likely to receive a smaller benefit from a given pension than the worker who stays in the same job. This is due to a variety of reasons such as the worker was not on the job long enough to be vested in every pension plan. What steps need to be taken in the short term or the long term to provide increased portability of pension credits?

Mr. Rosow. Our study, Senator Percy, looked at this question. I was disappointed that our advisory panel was so split on this issue because of its controversial character that we were unable to come up with a concise recommendation. Speaking for myself rather than for the institute report, with my background in both Government and industry, I believe you are touching on an extremely important problem to improve the productivity of the Nation and I believe that as we have increased vesting under ERISA we have failed to really look at the potentials for portability.

I see two things happening. One is that with the broadening of the wage taxable base under social security there is a growing possibility that if the present 1978 amendments remain in effect without Congress backing down on those high tax rates, when we get to the taxable wage base of $42,600 by the year 1987 we could well have preempted a great part of the private sector pension coverage and in effect have created a national pension base with built-in portability depending on what happens to salary trends over the period.

Second, I would urge, apart from that, for more experimentation with portability. For example, in thrift and savings plans, one of our proposals to the Congress and the Treasury is to allow workers who leave a company to take their thrift and saving plan and establish an IRA account with a bank or brokerage firm that would qualify as a partial type of portability.

I think portability is very critical to productivity. We have a lot of evidence that employers are beginning to realize that many people in their forties who have topped out on their career won't leave because of their pension investment and therefore they are working at half level. They are not very happy, the company is not very happy with them and they carry this problem on and on and on simply because of the pension.

Senator Percy. And the nonportability.

Mr. Rosow. The nonportability of the pension.

Senator Percy. Thank you, Mr. Rosow.

Dr. Woodruff.

Dr. **Woodruff**. Yes, Senator. One of the toughest questions that we have been addressing at the President's Commission has been the question of whether any way can be found to increase our reliance on the advance-funded private sector pension system and to decrease the dependency on a pay-as-you-go system. We have been looking toward the private pension system because of all the demographic problems that were raised and discussed earlier here today. Last week we sponsored a roundtable discussion on the question of whether we should recommend a universal private pension system that would include as part of the proposal, a portable benefit for all workers. One of the problems in trying to design portability in the private sector is the low amounts of coverage in the private sector that I mentioned in my prepared statement. In the private sector, someone may have a benefit, move to another employer and that employer may not have a pension program. The questions of portability I think must also address this problem of low levels of coverage in the private sector. We are struggling with the question of how, through voluntary means or possibly through some mandatory system, we can make the private pension benefit system more universal. That still does not address the question of inflation protection.

Currently the social security system is inflation protected. As you know, most private sector pension programs do not have that kind of protection. So I think that is another problem in addition to portability that we need to address. We want to see a greater role for the private sector pension system in helping to cope with both problems.

Senator **Percy**. Under current law, employers participating in qualified pension plans may not make contributions, to individual retirement accounts.

Dr. **Woodruff**. That is right.

Senator **Percy**. From what I have seen, I would like to see them able to contribute to an IRA as well. What would be the impact of allowing pension plan participants to contribute to IRA's?

Dr. **Woodruff**. That was permitted for a brief period in the early seventies immediately preceding the enactment of ERISA. ERISA essentially took away that option. There is some evidence in 1972, in 1973, that a large number of new plans were in fact formed. It is unclear, however, whether employers decided to establish plans because there was some cost-sharing with the employees or whether the employers were establishing plans in anticipation of the enactment of ERISA. We are looking very seriously at that question and are likely to make recommendations on whether employees should be permitted the same tax treatment on their contributions as are employers.

Senator **Percy**. Because of the distinction of this panel, I would like to get your judgment on one issue. There is a widespread belief that retirement benefits for public sector employees are substantially more generous than for their private sector counterparts. Is that assumption correct?

Dr. **Sheppard**. Yes.

Dr. **Schaie**. Yes.

Mr. **Batten**. Yes.

Mr. **Rosow**. Yes.

Mr. **Kunze**. Yes.

Dr. **Woodruff**. Yes.

Senator **Percy**. So it is a unanimous vote on that particular score.

I would like each of you to submit for the record proposals that would allow individuals to prepare more wisely for their own retirement and not rely solely on Government's help. My own experience is that the people who organized their lives the best and made adequate preparation for retirement were also the most qualified and the ones you would have liked to retain. They thought ahead and planned for their retirement. They were able to leave as soon as they could. Then, there were the ones that didn't plan for their retirement years. They thought somehow they were going to be taken care of by their children or by social security. Unfortunately, they were the ones that were not prepared to leave. Ultimately, they left under compulsory retirement rules. It was a terrible hardship on them.

What is going on now in the field to better prepare people for retirement? In 1950, when I was heading a company, I was faced with this dilemma of people on retirement and not ready for it. We started a comprehensive retirement program that included counseling and seminars in the evenings. Retirement was set at 65, with an extension in some cases to age 68. Now I believe we have extended retirement age to 70.

In looking back, I believe that training program was an extraordinary experience. The spouses all participated. We held it in the evenings. Many times people came up to me and said:

> We were facing this dilemma with fear. Here we are, husband and wife, and yet we have never dared to talk about the problem. We never dared facing up to what our relationships would be with our children. Where we would live? What would we do? What about our health problems.?

I would like to be brought up to date as to what is happening to properly prepare people for retirement. If you would not mind taking the time, we will keep the record open for a period of 2 weeks.[1]

I deeply appreciate your being here today. I know that those members of the committee that could not stop by will benefit greatly from reading this testimony.

If there are no further comments, the meeting is adjourned.

[Whereupon, at 12:17 p.m., the committee adjourned.]

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[1] See appendix, item 2, page 78.

APPENDIX

MATERIAL RELATED TO HEARING

ITEM 1. "POSTPONING RETIREMENT: IDENTIFYING WORKERS WHO MIGHT DEFER LABOR FORCE WITHDRAWAL," REPORT PREPARED BY DR. HAROLD L. SHEPPARD[1] FOR THE GENERAL ELECTRIC FOUNDATION

INTRODUCTION

Retirement age policy as an issue for policy debate in the United States has emerged for a number of reasons, including the belief by many Americans that the right to continued participation in the labor force without regard to chronological age, or at least that 65 is too young an age to be used in any compulsory retirement age policy; and the opposite tendency among others, that older workers should retire to make room for younger workers. Both of these contrasting beliefs are tempered by the prospects of an increasing economic burden on a declining working population, relative to the disproportionate growth of a nonworking, retired worker population (and that population's dependents), and on the public and private institutions associated with the process of retirement income and services to the elderly. Inflation, too, may be affecting earlier plans for retiring at young ages.

Occasionally, the notion of a later retirement age has been introduced in discussions and debates over the general issue, as one means of mitigating the potential cost increases. The reasoning behind the notion is that it is more feasible to support a smaller, rather than a larger, population of retirees. A critical question evoked by this idea, of course, is how to bring about or achieve such a reversal, or slowdown, of current early retirement trends. Raising the age at which an individual is eligible for full benefits under social security (now 65) may be one logical approach but it is fraught with political booby traps. A subtle (somewhat covert) redefinition of what constitutes full benefits—culminating in social security retired worker benefits below what would have otherwise been paid without such redefinition—is another approach, which is beyond the scope of this report. Certainly a continuation of the current high inflation policy (sometimes at a double-digit rate) can be expected to cause many persons to think more than twice about any previous plans or desires for early retirement, although this is obviously too high a price to pay, and no one advocates above-normal inflation as a way out of anything (except as a means of paying off older, fixed payment debts).

But what about the concept of incentives—of offering a bonus to workers to delay retirement after, say, 65, at a rate still below that which would be counterproductive, as far as the solvency of the social security system is concerned? While it is possible that a policy of very gradually raising the age for full benefits might be introduced in years to come, a retirement-postponement bonus would entail fewer political pitfalls, and in any event, is more in keeping with American traditions of not forcing, but motivating, individuals and organizations toward socially desired ends.

The purpose of the analysis in this report is to identify those types of workers who would be most likely to respond to such an incentive, with a special emphasis on implications of the research findings over the next 10 to 20 years. The data are derived from a selected subsample of nearly 1,000 men and women 40 to 69 years old in the labor force, who were interviewed in two American metropolitan areas in 1978, San Diego and Denver. The original study was sponsored by the Administration on Aging, under a grant to the Center on Work and Aging, of the American Institutes for Research.[2]

The subsample of approximately 660 persons, consists of only those workers who were consistently employed, without any break in employment, over a period of roughly 3 years. Those men and women who were recently retired, or with any unemployment experience in that same time period were excluded from the analysis for this report, in order to wash out any possible influence of the differences in such experience. We are dealing here, therefore, with what might be considered the mainstream of American workers, although there is always the possibility that the San Diego and Denver subsample for this report may not be exactly representative of the total U.S. mainstream labor force. We have no reason, however, to believe that these workers are unique or atypical, with respect to that national labor force.

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[1] See statement, page 8.

[2] Harold L. Sheppard and Sara E. Rix, "The Employment Environment and Older Worker Job Experience," final report, Washington, D.C.: American Institutes for Research, April 1979.

1. The proportion of our sample of men indicating that a bonus for postponing retirement after age 65 would be effective in doing so was 42 percent, slightly higher than the proportion of women—38 percent—also reporting that they would postpone retirement if such an incentive were possible. Respondents were first asked if social security's scheduled 3 percent for each year full benefits at 65 are postponed would be enough for them to think about postponing retirement. Second, if they said "no," they were then asked how much of a bonus would be enough for them to consider retirement postponement. Respondents saying "yes" to the first question, and providing some figure in answering the second, are defined here as meeting our first requirement for candidacy for retirement postponement.

2. Primarily as a means of improving the chances of isolating the more serious respondents within the group of workers indicating they would be interested in such a postponement bonus, we added a second requirement, namely that they approve of the legislative proposal to raise the allowable mandatory retirement age from 65 to 70. The respondents were asked their opinions in March 1978, before actual passage of those amendments. Compared to the responses to the first question, substantially higher proportions of both men and women approved of the proposal. Among the men, 65 percent approved, compared to 72 percent of the women. Considering the fact that no more than one-fifth of the sample were employed in establishments with a fixed retirement-age policy, these high proportions approving of the increase in age suggest that the principle involved has a wide appeal that goes beyond the individual's own employment situation.

3. But our focus in this report is on a typology based on the combined responses to the two questions, especially those men and women who (1) would postpone retirement with an appropriate incentive and (2) approve of the general principle of raising the legally permitted age of mandatory retirement. (See table 1 for relationship between the two criteria.) When both criteria are used, the proportion of what we might consider as candidates for postponed or later retirement is considerably lower than those reported above for each of the two separate criteria. For both men and women, the proportion is approximately 29 percent (nearly 200 persons). In other words, 29 percent of the men and women would postpone retirement and approve of raising mandatory retirement age.[3]

TABLE 1.—RELATIONSHIP BETWEEN ACCEPTANCE OF RETIREMENT-POSTPONEMENT BONUS AND APPROVAL OF INCREASING MANDATORY RETIREMENT AGE

	Approve of age increase	Disapprove of age increase
Men:		
Would accept bonus (percent)	48.3	30.8
Number of cases	230	120
Women:		
Would accept bonus (percent)	41.2	29.5
Number of cases	204	78

Our purpose here is to present the rates of candidacy for retirement postponement by selected economic, demographic, attitudinal, and other characteristics. For reasons that will become clear as this presentation proceeds, men and women are treated separately, for the additional purpose of ascertaining on which characteristics the men and women in our sample are similar, and on which they differ from each other. As we shall see, the variables that explain the differences among men alone are not always the same as those that explain those among women.

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[3] While not treated separately in this report, we should note that approximately one-fifth of the total sample of men and women were (1) not interested in any incentive for postponing retirement and (2) against increasing the allowable mandatory retirement age.

A. ECONOMIC AND DEMOGRAPHIC

INDUSTRY

For both men and women, workers employed in such service industries as business and repair, personal services, and entertainment, had the highest proportions (above-average) of candidates for postponed retirement (table 2). Among the workers in finance, insurance, and real estate, only the women had an above-average candidate proportion (39 percent).

TABLE 2.—CANDIDACY RATES BY INDUSTRY

[In percent]

	Total	Construction	Manufacturing	Public utilities and transportation	Wholesale and retail trade	Finance, insurance, and real estate	Business, personal service, and entertainment	Professional service	Public administration
Men	28.7	15.0	28.9	27.3	26.8	29.6	50.0	36.5	30.7
Women	28.7	....	12.5	16.7	30.6	39.1	36.0	33.3	14.3

Few men in the construction industry would apparently opt for postponed retirement—only 15 percent could be classified as candidates, in contrast to 29 percent of all the men in our sample. Contrary to our own expectations, the proportion of men in manufacturing who were candidates for postponed retirement was identical to that for the total male sample, about 29 percent, while the female rate for manufacturing was the lowest for the entire sample.

The proportions of the male and female candidates for postponement—when compared to the noncandidates—curiously point to contrasting industry profiles, specifically regarding employment in the service industries of the private sector:

PERCENT IN PRIVATE-SECTOR SERVICE INDUSTRIES

	Candidates	Noncandidates
Men	45.0	77.0
Women	85.4	67.7

That is, while the proportion of male noncandidates in such industries exceeds the proportion of male candidates in the same industries, the opposite is true among the women.

OCCUPATION

The unexpected finding about men in manufacturing is probably a function of occupation more than of industry. Manufacturing is not synonymous with blue-collar, and when we examine directly the blue collar males and females, we find that the proportion of such persons who are likely candidates for retirement-postponement is the lowest for all occupations (table 3). Among the men in the sample, only 22 percent of the blue-collar workers in contrast to 39 percent of the lower white-collar men (in sales and clerical jobs) were later retirement candidates The corresponding percentages among women were 19 percent (for blue collar), and 32 percent (for lower white-collar workers).

TABLE 3.—CANDIDACY RATES BY OCCUPATION

[In percent]

	Total	Professional and technical	Managers	Other white collar	Blue collar	Services, nonprivate household
Men	29.5	31.9	28.4	39.4	22.0	25.0
Women	28.7	29.4	36.0	31.6	18.5	21.1

INCOME

Assuming that annual family income of workers has some influence on future income as retirees, we should expect to find that lower income persons will tend the most to defer withdrawal from the labor force, and to be most attracted to incentives to remain in the labor force. That is, of course, what we found in our sample, regardless of sex (table 4). Comparing workers with under $20,000 and those with $20,000 or more in annual family income, about one-third of the lower income group, but only one-fourth of the higher income group, were candidates for retirement postponement.

TABLE 4.—RATE BY FAMILY INCOME LEVEL

[In percent]

	Under $20,000	$20,000-plus
Men	33.1	25.5
Women	32.2	25.4

The importance of income is much more pronounced, especially in the case of males, when the focus is merely on the financial incentive or bonus for postponing retirement, without consideration of the retirement-age issue. More than 50 percent of the men with less than $20,000, compared to only 37 percent of those with at least $20,000 annual family income, were interested in a bonus. Even among women, the data suggest that the critical determinant is the bonus factor, rather than approval-disapproval of the extension of the allowable mandatory retirement age. In fact, attitudes about this issue seem not to be related to income at all.

AGE

The age of the worker appears to provide no explanation for any differences in candidacy for postponed retirement (table 5). This is clearly the case among the women in our sample. If there is any relationship of age to potential retirement postponement among men, it is in an unexpected direction. The younger the worker, the greater the odds for being a later retirement candidate: 35 percent of the men under 45; 31 percent of those 45–49 years old, but only 26 percent of the men 50 and older, were candidates. But such differences were not proven to be statistically significant.

TABLE 5.—RATE BY WORKER'S AGE

[In percent]

	40–44	45–49	50–54	55–69
Men	35.4	30.8	25.9	25.7
Women	24.6	29.9	28.8	30.7

Given the current controversy over the possible effect of the recent amendments to the Age Discrimination in Employment Act on the job chances of younger workers, some additional findings should be reported here. Any definitive conclusions, however, must be tempered by the fact that our sample here consists of persons no younger than 40, but nevertheless it might be argued that workers as young as 40–44, for example, could feel that their promotion chances would be limited by any extension of the allowable mandatory retirement age.

If this is the case, we should expect to find that younger workers in our sample would have the lowest approval of the shift from 65 to 70 in mandatory retirement age. Contrary to such expectations, however, the youngest group of men in our sample—those 40–44 years old—had the highest rate of approval, 75 percent, compared to 63 percent of all other men in the sample. This difference in proportions was statistically significant at the .05 level (table 6).

TABLE 6.—PERCENT AGREEING WITH INCREASE IN MANDATORY RETIREMENT AGE, BY AGE AND SEX OF WORKER

	40–44	45–49	50–54	55–69
Men	74.7	58.6	67.1	63.8
Women	71.0	75.8	61.1	81.4

The picture is a somewhat opposite one among women: The oldest group (those 55 and older) had the greatest rate of approval—81 percent compared to only 69 percent of all others under age 55. But, nevertheless, the youngest group of women (those 40–44) did not have the lowest approval rate, contrary to what might have been expected. As in the case of men, there was no unilinear relationship among women between their age and approval or disapproval of the recent ADEA amendment.

In other words, our findings do not provide support for the notion that compared to older ones, younger workers oppose the 1978 legislation because of any self-interest in the jobs that older ones occupy.

But even more directly related to this issue are the responses to a question explicitly designed to measure extent of agreement with the notion that older workers should retire in order to provide opportunities for younger people. We explicitly asked our respondents, in early 1977, whether they agreed with the following statement: "Older workers should retire when they can, so as to give younger people more of a chance on the job."

The results were, to say the least, surprising. If there is any relationship of the worker's age to his or her position on this question, it was opposite to what might be expected—the older workers approved in proportions greater than the younger ones (table 7).

TABLE 7.—PERCENTAGES AGREEING THAT OLDER WORKERS SHOULD RETIRE TO GIVE YOUNGER PEOPLE A CHANCE, BY AGE OF RESPONDENT

	40–44	45–49	50–54	55+
Men	35.0	46.2	46.2	49.5
Women	42.9	37.8	47.[illegible]	50.0
Total	38.5	43.0	46.7	49.7

The positive relationship between age and agreement with the above statement, rather than an inverse relationship, is clearly suggested by the data on the response of the men, as shown in table 7. But the main point is that the youngest workers were not the ones with the greatest support for a policy of retiring older workers to give younger persons more opportunities on the job. This finding is consistent with the previously discussed results on the question about approval-disapproval of the new ADEA legislation.

Such unexpected findings deserve far more attention than we have given to them here, and in future analyses we hope to find some explanations for such contradictions. The contradictions, to be sure, may only be due to some fallacy in our own assumptions concerning the motivations and values of individuals. The findings are unexpected only if one assumes that they are driven primarily (if not exclusively) by short-term self-interest, more specifically, that removal of persons other than themselves from employment rolls enhance their own economic opportunities, and hence should be endorsed. According to such an assumption, then, younger workers would be (1) more against any extension of compulsory retirement ages, and (2) more in favor of older workers retiring when they can—because of the impact of such positions on their own employment and promotion chances.

On a speculative level, the fact that our data did not verify the assumptions may be due to the possibility that younger workers (at least those in their young forties) are more altruistic than otherwise believed, and/or concerned about how a given policy or practice has long-term personal consequences, i.e., that they, as they themselves become older workers will benefit from an extension of mandatory retirement age, and from labor market or personnel practices that do not force them to retire simply to create vacancies for younger workers.

It should not be surprising that candidates for deferred retirement (males and females alike) had the highest percentage rejecting the suggestion that older workers should retire to make room for younger ones. Expressed in different terms, the greatest candidacy rate is among those workers who disagree strongly with the suggestion. Slightly more than 46 percent of the men and women disagreeing strongly were later retirement candidates, compared with only 5 percent of the workers who strongly agreed. For the workers agreeing or disagreeing but not strongly, the candidacy rate was nearly 30 percent.

Table 8

Later Retirement Candidacy Rate, by Agreement or Disagreement on Need of Older Workers to Retire to Make Room for Younger Workers

	Strongly Agree	Agree	Disagree	Strongly Disagree
Candidacy Rate	5.0%	29.6%	29.4%	46.4%
No. of Cases	(40)	(257)	(337)	(28)

$p < .01$

Age, to repeat, is apparently not related to one's position on this critical issue concerning the use of retirement as an integral part of an employment policy designed to enhance job opportunities for younger workers. What we did find as being influential in the worker's position regarding that issue were: (1) Whether the individual was in a labor market area with high or low unemployment rates; and (2) the individual's own employment experience.

In our larger report for the Administration on Aging (the sponsor of the fieldwork from which the data in this report were derived), we carried out an analysis that found that: (1) Among the workers in the group forming the basis of this report's analyses—the steadily employed— agreement with the policy of retirement by older workers to make room for younger ones was considerably higher in the case of the workers in the high unemployment area (San Diego) than it was among those in the low unemployment area (Denver)—48 versus 41 percent; and (2) workers with an unsteady employment record—especially those steadily unemployed during the entire course of our 16-month longitudinal study—had the highest level of agreement with such a policy.

The employment environment, and personal employment experience, rather than the age of the worker were, therefore, among the relevant factors that influence workers' attitudes about requiring older workers to retire in order to create better opportunities for others. In this connection, it is an interesting commentary on the American scene that during our most recent recession periods, few, if any, voices were heard that advocated legislative action to provide earlier retirement under social security as a means of solving the unemployment problem. It is interesting especially because such advocacy was and still is prominent in several European countries; and especially because the overt impetus for raising the allowable compulsory retirement age to 70 emerged in Congress during the 1973-75 recession.

MARITAL STATUS

Given the fact that nearly all of the men in our sample were married (94 percent), it is difficult to draw any conclusions about the role in marital status on the retirement-postponement tendencies among them (table 9). There is a suggestion, however, that nonmarried men are more likely to have such tendencies than the married ones. Among married men, slightly less than 29 percent were delayed-retirement candidates, compared to 36 percent of the nonmarried ones.

Table 9

Candidacy Rate by Marital Status

	Married	Not Married				
		All	Sep. & Div.	Widowed	Never Married	
Men	28.8	36.0	xxx	xxx	xxx	
Women	25.0	36.1	29.1	45.2	45.5	
TOTAL	27.4	36.0	xxx	xxx	xxx	p<.02

The case is more clear-cut among women, however. Only two-thirds were married, with husband present. Among married women, only 25 percent were candidates, compared to 36 percent of those who were not married (i.e., separated, divorced, widowed, or never married (p=.05)). When the data for men and women are combined, 27 percent of the married workers, and 39 percent of all other workers, turned out to be candidates, a difference that proved statistically significant at less than the .02 level.

To the extent that women increasingly become members of the labor force, and over time (as they become older) may remain unmarried throughout their lives to an extent greater than in the recent past, or become divorced and widowed, it may be reasonable to project a future in which current retirement age policies may be less accepted than previously. If remaining unmarried also develops among men, the same scenario might also be expected. The reasons for our findings, and our portrait of the future, are both economic and psychological in nature. Married couples, both partners of which are in the labor force, tend to have a higher level of financial retirement resources. Conversely, nonmarried persons, with fewer of such resources, may also tend to derive greater psychological rewards from work continuity, in terms of satisfactions from social contracts derived from remaining at work in the absence of a marital relationship.

EDUCATION

Our findings on the relationship between years of schooling and candidacy for postponing retirement simply confirm national and smaller sample data on labor force participation and retirement rates by level of education. Such data show a higher participation rate (and lower retirement rates) among higher educated men and women. In our own data, this relationship is confirmed even when education is tested as an influence on the two measures used in this report as an indicator of intended retirement postponement (table 10).

TABLE 10.—RATE, BY EDUCATION

[By percent]

	Under 12 yrs.	High school degree	1 or more years of college
Men	19.7	29.6	32.1
Women	15.4	29.8	31.3

The remarkable aspect about our own findings is that there is virtually no male-female difference in candidacy rates by level of schooling. Among men and women with at least 1 year of college, between 31 and 32 percent are candidates for postponing retirement, compared to 30 percent for those with a high school degree, but only 20 percent of the men, and 15 percent of the women, with less than 12 years of schooling.

It is possible that the rising educational levels of workers in future decades reaching what we now call retirement ages (because of the high levels of today's younger workers) will tend to be a tempering influence on those other factors that are typically cited as major influences in the retirement decision, such as a growing level of social security benefits and private pension amounts. That is, while it may be true that such influence (or incentives) are important determinants of retirement rates, we cannot rule out the emergence of counterveiling variables, such as the growing level of years of schooling which operates in the opposite direction in the complex of factors that affect the age at which workers withdraw from the labor force. Coupled with presumably higher levels of health status and with the prospects of continued high inflation rates, the improved educational levels of workers in future years, may indeed modulate the opposite influence of the other factors that have, in recent years, served to accelerate rates of retirement.

DEPENDENTS

In much of our research we have been interested in the issue of how much influence the number of dependents has on the retirement intentions and expectations of workers, especially of family heads. Among all the workers in our sample without any dependents, only 22 percent were candidates, compared with 33 percent of those with one or more dependents ($p < .005$). The relationship between absence or presence of dependents to candidacy for later retirement is especially marked among the men in the sample (table 11). In the case of women, the cutoff point is clearly among those with three or more dependents—among such women, nearly 46 percent are later retirement candidates, compared to only 26 percent of those with two or fewer dependents.

Table 11.

Rate, by Number of Dependents
(in percent

	None	1-2	3 or More
Men	19.0	34.3	
Women	25.2	27.4	45.7
TOTAL	22.0	33.3	

This analysis, of course, does not take into consideration the age of the worker, but we still are of the opinion that the total number of children ever born and reared by workers affects what we call their retirement resources. The greater the number, the lower such resources. Furthermore, even though persons in the future reaching the current retirement ages can be expected to have had fewer children than their counterparts in recent years, we might also expect that they will have children at an older age, i.e., a postponement of childbearing to an age later than is currently the pattern. If that is the case, we can expect a higher proportion of older workers with children still at home, in college, or only recently having moved out of a dependent status—all affecting the financial capacity of such older workers to retire.

Furthermore, reduced financial responsibilities for children are not necessarily arithmetically reduced per fewer child in a family. According to Paul Demeny of the Population Council, "Parents might have smaller families and yet spend just as much in total on children, or even more than when larger families were the norm."[4]

PENSION COVERAGE

We had expected to find that workers without any private pension coverage (over and above social security) would be more likely to be candidates for retirement postponement. But our data did not definitively confirm that expectation. Among the men in the sample, coverage versus no coverage made no difference at all. There was a slightly higher proportion of women without such coverage who were candidates (33 percent), but this proportion was not clearly statistically different from that among women who were covered by a pension (25 percent).

We should report, however, that when the focus of analysis is on the bonus variable alone, a difference in percentages in the case of women does not appear (table 12). Only 33 percent of the women covered by a pension reported that such a bonus would be an incentive to postpone retirement after 65, compared to 43 percent among those without any pension coverage.

Table 12

Percent of Women who Might Postpone Retirement After 65, with Adequate Incentive, by Pension Coverage

	Covered	Not Covered
% Might Postpone Retirement	33.1	42.8

p<.10

EMPLOYED WITH FIXED RETIREMENT AGE

Only 20 percent of the men, and 15 percent of the women, reported that their current employer had a fixed retirement age policy, percentages which, incidentally, suggest that the recent legislation raising the allowable mandatory retirement age should have less of an impact than is widely believed.

The important point, however, is that candidacy for postponed retirement was not clearly related to presence or absence of a fixed retirement age in the establishment in which respondents were employed. Our hypothesis had been that workers employed in establishments with some fixed age for retirement would be the most likely candidates for postponed retirement. This was clearly not the case among the women in our sample. On the other hand, the findings in the case of men was in the expected direction—36 percent of those employed with a fixed retirement age, but only 26 percent among those without such a policy, were later retirement candidates. But the difference did not prove to be statistically significant.

Nevertheless, there is some indication that when the focus of analysis is on the bonus variable alone, workers employed with a fixed retirement age (both men and women) are more likely to indicate that they would postpone retirement with such an incentive than would workers not covered by any fixed age for retirement (table 13). Among those covered by such a policy, 48 percent would take advantage of such an incentive compared to only 38 percent of those not so covered (p=.05).[5]

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[4] Paul Demeny, cited in "The Burgeoning Benefits of a Lower Birth Rate," Business Week, Dec. 15, 1973.

[5] Contrary to what might be expected, workers covered by a fixed retirement age were only slightly more likely to be in favor of the increase from 65 to 70 in the legal mandatory retirement age.

Table 13

Percent of Men and Women who Might Postpone Retirement After 65 with Adequate Incentive By Fixed-Retirement Age Coverage

	Covered by Fixed Retirement Age Policy	Not Covered by Policy
% Might Postpone Retirement	47.8	37.9

p=.05

NUMBER OF OTHER EARNERS IN FAMILY

Contrary to what we had expected, there was no single relationship between candidacy rate and number of other workers in the respondents' family. Among the women, however, there is some suggestion that workers with no additional earner in the family (one-third of all the women) had a greater tendency to be candidates for later retirement. Among such women, 35 percent were candidates, in contrast to only 25 percent of those with one or more additional earners (p=.10). Part of the explanation has to do with the fact that women with no additional earners are most likely to be not married, and hence have fewer additional supports for income in the later years.

But the finding is complicated by the fact that among the women with three or more additional earners, fully 40 percent are candidates for later retirement. Without any further analysis, our guess is that families today with that many earners (four or more, including the woman respondent herself) are probably in lower socioeconomic circumstances than other families, and accordingly, the individual woman worker might be attracted—out of necessity—to the notion of postponing retirement. Our earlier discussion regarding family income showed that workers with relatively low family incomes (as an indicator of low socioeconomic status) had the highest candidacy rates.

B. SOCIAL-PSYCHOLOGICAL FACTORS

The previous section concentrated on such objective economic and demographic variables as industry, occupation, income, education, etc. But human behavior, decisionmaking, and intentions, also can be influenced by social-psychological variables such as the ones presented below.

ACCEPTANCE OF UNIVERSAL FIXED RETIREMENT AGE

Obviously, how an individual feels about the notion of a fixed retirement age for everyone will affect, or be affected by, his or her own propensity to extend retirement age. We should report, first, that over 80 percent of both men and women disagreed with any universal fixed retirement age. In fact, about 45 percent disagreed strongly—a percentage of strong disagreement that is unusual in opinion surveys in general.

As might be expected, few of the persons agreeing with such a fixed retirement age policy[6] can be classified as candidates for postponed retirement (table 14). Among the men, only 10 percent of those in favor, but 34 percent of those against such a policy, were later retirement candidates. Among the women, only 19 percent of those favoring a fixed age, were candidates for later retirement, compared to 31 percent of those against a fixed age policy—a difference in the expected direction, although not statistically significant. The difference among the men is without any question statistically significant (p=.0001).

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[6] The question wording was: "Many people feel that there should be a fixed retirement age for everyone. How strongly do you agree or disagree with that statement?"

TABLE 14.—CANDIDACY RATES, BY AGREEMENT-DISAGREEMENT WITH UNIVERSAL FIXED RETIREMENT AGE

[By percent]

	Agree	Disagree
Men	10.0	34.0
Number of cases	70	307
Women	18.8	31.0
Number of cases	48	239

Our preliminary data suggests that workers against both notions used as our candidacy criteria are also substantially in favor of a universal fixed age for retirement.

PREFERRED RETIREMENT AGE

Here again, we should expect to find that candidacy rate and the age at which the worker prefers to retire are related to each other. The statistical analysis unquestionably confirms this expectation, especially among the men (table 15). The older the preferred retirement age, the greater the rate of candidacy for postponing retirement. Among those men indicating that they prefer to retire before the age of 65, only 25 percent were candidates, compared to 37 percent of those opting for age 65, and 47 percent of the men preferring an age after 65 ($p<.001$). But even among the women, the relationship is fairly strong. Only 18 percent of the women wanting to retire before age 65, compared to 45 percent of those preferring age 65, and 50 percent of the group preferring post-65 retirement, could be considered candidates for delaying their retirement. ($p<.001$).

TABLE 15.—CANDIDACY RATE, BY PREFERRED RETIREMENT AGE

[In percent]

	Before 65	65	After 65	Nonage answers
Men	25.1	36.1	46.9	33.3
Number of cases	195	52	.32	75
Women	17.8	44.7	50.0	34.9
Number of cases	152	38	22	63

The fact that the post-65 respondents have such high candidacy rates should be no surprise. What is more relevant is the finding that among those preferring age 65, 37 percent of the men, and 45 percent of the women, would consider a postponement of retirement after that age, compared to 18 to 25 percent of the men and women, respectively, preferring pre-65 retirement ages. In other words, a small but substantial percentage of workers would prefer retirement at 65 or earlier, but might consider working beyond that age if assured of an adequate incentive in the form of increased social security pensions.

AGE SELF-IDENTIFICATION

We had expected that a person's own self-image as to how old he or she is (whether young, middle-aged, late middle-aged, or old) would influence his or her tendency to delay retirement, on the grounds that persons viewing themselves as young would have a more positive orientation about work continuity, in contrast to those with other self-images. The findings in the case of the woman in our sample were in this expected direction, but they were not proven to be statistically significant. Only 17 percent of the few women defining themselves as being late middle-aged or old were candidates, compared with 27 percent of the group self-labeled as middle-aged and 31 percent of the young group. Among the men, there was no relationship whatsoever between these two measures.

CONTROL OVER ONE'S LIFE, OR INITIATIVE

Human beings differ from one another in the extent to which they believe and act as if they can influence their life chances, in how much initiative they have, or confidence in their own capacity to affect their fate, how much they feel that external factors beyond themselves control their lives—how passive or activistic they are. Some years ago, the psychologist, Julian Rotter, developed a theory and series of questions concerning this psychological factor. According to other social scientists, the measure might also reflect varying degrees of a commitment to the work ethic and the feeling that success comes from hard work.[7]

The following items from the longer Rotter scale were used in our own study: "I'd like to get your reactions to some things that people have different opinions on. Do you strongly agree, agree, disagree, or strongly disagree with these statements?"

"When things go wrong, it's usually my own fault."

"When a person is born, the success he will have is in the cards."

"Don't expect too much out of life and be content with what comes your way."

"Planning only makes a person unhappy since your plans hardly ever work out anyway."

"Most things that happen to me are the result of my own decision."

In this report, we are interested in exploring the question as to whether workers with greater initiative, with a feeling of some degree of autonomy and mastery in their lives, are also the ones more likely to be potential retirement postponers, on the assumption that such persons prefer to make their own retirement decisions and, furthermore, believe they can. Such persons might also be the most likely to be opposed to the notion of a fixed retirement age, although we have not attempted here to present data on that question.

What do the results show? Table 16 presents them, for men and women combined. It is quite clear, in our opinion, that this assumption is verified, but especially in the case of the men in our sample who, it should be noted in passing, have a higher level of a feeling of mastery, or initiative, than the women in the sample. One-third of the men providing passive answers to none or only one of the questions cited above were candidates, compared to 24 percent with two or three passive answers and none of the small number of men providing passive answers to at least four of the items ($p<.05$). Among the women, the distinction is between those with no more than one passive answer, and those two or more—32 percent versus only 22 percent ($p<.10$).

It should be noted here that as long as women had a high degree of mastery or initiative, as measured by such items cited earlier, they were no different from men with respect to candidacy proportions (32 percent). Similarly, among all persons agreeing with two or more of the Rotter scale items (indicating lower initiative), the proportions of men and women who were candiates was the same (about 21-22 percent).

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[7] See Julian Rotter, "Generalized Expectancies for Internal Versus External Control of Reinforcement," Psychological Monographs, 609, 1966; Paul Andrisani and Gilbert Nestel, in The Pre-Retirement Years, edited by Herbert S. Parnes et al., Center for Human Resources Research, Ohio State University, 1974, pp. 197-235; and Harold L. Sheppard, "Factors Associated With Early Withdrawal From the Labor Force," in Men in the Pre-Retirement Years, edited by Seymour Wolfbein, Temple University School of Business Administration, 1977, pp. 192-195.

Table 16

Later-Retirement Candidate Proportion, by Level of Mastery or Initiative, Men and Women Combined

	High Mastery	Intermediate	Low Mastery
	32.1%	22.7%	13.0%
No. of Cases	(474)	(163)	(23)

p=.01

"High" = Passive on 0-1 statements

"Intermediate" = Passive on 2-3 statements

"Low" = Passive on 4-5 statements

Further analysis of the data, however, point to the fact that the explanation of this relationship is in terms of how the respondents felt about the raising of the allowable mandatory retirement age, and not with respect to the bonus variable which is one of the two measures used to define candidacy for delayed retirement. If the focus of the analysis is simply on the ADEA item, there is little doubt that for both men and women, the greater the feeling of mastery or initiative, the higher percentage in favor of the increase in the mandatory retirement age, as shown in table 17.

Table 17

Percent Approving of Raising Mandatory Age to 70, by Degree of Mastery or Initiative, and Sex

	High Mastery	Intermediate	Low Mastery	
Men	70.0 (267)	54.1 (74)	41.6 (12)	p<.01
Women	78.3 (189)	65.4 (81)	36.4 (11)	p<.01

No. of cases in parentheses

JOB SATISFACTION FREQUENCY

Contrary to our expectations, candidacy rates are not related to our measure of job satisfaction frequency, a question asking how frequently the worker is satisfied with his or her job (as opposed to asking how satisfied the individual is). The only meaningful statistical relationship job satisfaction frequency had was with the approval or disapproval of the ADEA amendment, and only among the men in the sample. Among the men who indicated they were satisfied with their job most of the time, 69 percent agreed with raising mandatory retirement age to 70, in contrast to only 56 percent of the men satisfied less than most of the time ($p<.05$).

This finding by itself, of course, may be important. It suggests that at least among employed men, attitudes concerning the notion of extending compulsory retirement age are, in part, a projection of their own feelings about their individual jobs. The prospect of continuing to work in a job that does not provide frequent intrinsic satisfactions is not exactly an enticing one. For many workers, early retirement is a way out, an escape from an undesirable work situation. For such persons, any question that connotes the extension of working life (such as the one asked in our survey about raising the retirement age from 65 to 70) might evoke more negative feelings than for workers who are satisfied with their jobs most of the time.

We should also point out here that the type of analysis on which this report is based focuses only on the contrast between one type of worker (those who would consider deferring retirement because of the social security bonus and who approve of raising the mandatory age for retirement) and the rest of the sample. The rest of the sample includes, of course, those workers who are the very opposite of the first type, i.e., those who would not be interested in any deferral bonus and who also disapprove of the ADEA amendment.[8] Our concentration on only the first type, in comparison with the rest of the sample, was based on the concept that if that type was unique, it should stand out clearly from the remainder with respect to the several variables reported in this report.

Current analysis underway by AIR is intended to identify the four different types of male and female workers that can be classified along the two-variable dimension treated in this report.

Returning to the measure of job satisfaction frequency, preliminary findings from that current analysis indicate that among the male workers who would not defer retirement even with a bonus and who also are opposed to raising the retirement age (i.e., the definite noncandidates), job satisfaction frequency was the lowest. The figures used for this report, because they do not single out that type of male worker, obscure this finding.

WORK COMMITMENT

Somewhat independent of the measure used to estimate the potential for deferred retirement age is a question frequently used by industrial social scientists to tap what they consider a commitment to work, or level of work ethic. This question, in a form adapted by H. L. Sheppard, is worded as follows: "If you could stop working with as much money as you need for a good income, and not have to work anymore, would you do it right away, or would you wait awhile?" (If wait awhile): "About how many years would you wait?"

The responses to this question can also be viewed as an indicator of retirement propensity among workers. Our interest at this point in the report is in both dimensions of the responses, and how they relate, for example, to the two separate major variables under consideration throughout this report, and these same two variables when used jointly to ascertain candidacy for postponing retirement.

There is no intrinsic reason why answers to this question, taken as an indicator of commitment to work, should be related to a worker's agreement or disagreement with the increase in allowable mandatory retirement age. We are not dealing simply with the same phenomenon expressed in different terminologies. On the other hand, if we take the question strictly as an indicator of a retirement propensity, there could be an obvious relationship of the question to the agreement or disagreement.

But at the very least, work commitment and retirement propensity are intricably part and parcel of the same psychological process. They interact and influence each other.

Regardless of how one prefers to view the question and its responses (as work commitment or retirement propensity), we were nevertheless impressed with the statistical finding that agreement with the ADEA amendment is closely related to how long a worker would continue to work, even though assured of a good income. This close relationship prevailed especially among the men in our sample.

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[8] Twenty-four percent of the men, and 20 percent of the women fell into this classification.

Table 18

Percent Agreeing With ADEA Amendment, by Degree of Work Commitment, or Retirement Propensity

	Right Away, or in Less Than One Year	After 1 to 9 Years	After at Least 10 Years, or "Never"	
Men	53.1 (145)	70.0 (100)	79.0 (105)	p<.0001
Women	66.7 (120)	77.1 (153)	81.4 (59)	p<.10

No. of cases in parentheses

The data in table 18 suggest quite sharply that the attitudes of workers (especially those of men) about raising the allowable mandatory retirement age from 65 to 70 are influenced heavily by their level of work commitment or their own retirement propensity, and by the complex set of factors that enter into the development of that commitment and propensity. It is interesting to speculate about the issue of the future of work commitment (or the work ethic) and whether or not a rising or a decreasing level of that ethic or commitment could influence the age-at-retirement decision. Previous research has indicated that the qualitative nature of job tasks—even among young workers—can influence their responses to our measure of work commitment or retirement propensity. The lower the level of autonomy, variety, and responsibility, for example, the greater the worker's retirement propensity, i.e., the greater the odds for his or her ceasing to work altogether if assured of good income without having to work.

This raises the question as to whether the degree to which job enrichment and other quality of work programs in industry spreads in this country, and how the success of such programs might influence employees' retirement age preferences.

As for the relationship between a bonus for postponing retirement and work commitment, there is only a slight one, if at all, and only in the case of men. Among those who would retire within 1 year if assured of a good income, only 39 percent would be interested in such a bonus, as compared with 42 percent of those who would wait 1 to 10 years, and 47 percent of those who would wait at least 10 years. Although these findings are in the expected direction, the differences are not statistically significant. Given this conclusion, and the further fact that among women, there was no relationship between the two variables, we might infer that the incentive for postponing retirement was not strong enough to offset the hypothetical opportunity to stop working but with a good income.

The candidacy rate among men, however, may be related to work commitment. Nearly 37 percent of those who would continue for at least 10 years, or never stop working, but only 27 percent of the remainder, were candidates (table 20). While the corresponding differences among women was not statistically significant, it was in the expected direction. Nevertheless, the detailed data in table 19 suggest that work commitment may be a relevant influence.

Table 19

Rate, by Work Commitment
(in percent)

	Would Stop Working:			
	Right Away or in Less than One Year	After 1 to 9 Years	After at Least 10 Years*	
Men	26.5 (147)	27.8 (108)	36.8 (114)	
	27.1			p<.05**
Women	26.8 (123)	26.3 (95)	33.9 (62.)	
	26.6			not sig.
TOTAL	26.8 (473)		35.8 (176)	p<.03

*Includes men saying they would "never stop working." Among those saying they would continue working for 10 years or more, the candidacy rate was 41.8 percent (N=67).

**If "Never stop working" is excluded, p=.02 among men, and .02 for the total sample of men and women.

C. HEALTH FACTORS

It should be emphasized that the analysis in this report is based on those workers without any unemployment experience for nearly 3 years prior to being interviewed. Almost by definition, such workers tend to be in better health than workers with less than steady employment experiences.[9] Accordingly, there is little heterogeneity in working-limiting health conditions in our sample which means that there is less room, statistically speaking, for testing any hypotheses concerning health and retirement decisions, unlike other studies which, because of their nature of their samples, have been able to demonstrate the importance of the health factor in labor force participation and withdrawal.

The assumption, of course, is that workers with excellent health conditions are more likely to be candidates for deferred retirement than other workers.

One of the two health-related questions used in this analysis asked if the individual had any health or physical condition which limited the amount or kind of work they could do; and if so, how much that condition limited the amount or kind of work. While the proportion of candidates among the men and women in the sample reporting no work-limiting conditions was higher than among those reporting some degree of limitation (30 versus 25 percent), the difference was not statistically significant, although in the expected direction (table 20).

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[9] Eighty percent of the sample reported they had no health conditions that affected the amount or kind of work they could do.

TABLE 20.—RATE, BY WORK-LIMITING CONDITIONS

	None	Some or more
Men and women (in percent)	30.0	25.0
Number of cases	536	136

The second question asked the respondent how frequently he or she had had each of 16 physical conditions during the past year (such as cramps in the leg, headaches, becoming tired in a short time, etc.). Using the mean number of conditions cited by the worker which was experienced often (as opposed to sometimes, rarely, or never), we found, just as in the case of the previous question that while the differences were in the expected direction, they were not statistically significant. Nearly 31 percent of those with one or no physical condition experienced often during the previous year were candidates for deferred retirement, compared to nearly 24 percent of those experiencing two or more physical conditions (table 21). The lack of any statistically significant difference on both health measures (even though the differences are in the expected direction), to repeat, is largely due to the fact that we are dealing here with a relatively healthy group of middle-aged and older workers. This characteristic is a result of our having selected from our original total sample only those workers with a long-term steady employment record, which biases the selected group upward in terms of positive health status. This is evidenced by the fact that 80 percent of the group selected for analysis in this report, but only 68 percent of the group excluded (without a long-term employment record), reported no work-limiting health conditions (p=.0005).

TABLE 21.—RATE, BY NUMBER OF PHYSICAL CONDITIONS

	0-1	2 or more
Men and women (in percent)	30.5	23.7
Number of cases	544	118

Given the generally accepted fact that workers in poor health are the most likely to retire earlier than other workers, our restriction of the sample to the type chosen here (with better health conditions) provides for a better test of the retirement-postponement incentive. However, because of the elimination of those workers more likely to have work-limiting health problems, any differences among the remaining sample respondents have less chance for being statistically significant, although the differences that were found tended to be in the expected direction. That is, the candidates for retirement postponement tended to be healthier workers.

Here, too, is a basis for some speculation about the future. If the health status of the workers of 20 to 30 years from now improves (and we believe it will), might we not expect to see, thereby, one more reduced incentive to retire especially if financial incentives for deferring retirement are also available? Additional preliminary data also suggest that this is more likely to be the case among women than among men, even though they, too, could be expected to respond in the same direction.

D. SUMMARY AND CONCLUSIONS

This report has presented an exploration of the attributes of individual middle-aged and older workers which are associated with their willingness to consider a financial incentive for postponing retirement (over and above what is gained through additional years of earnings), in the form of increased social security benefits. In examining those attributes that appear to be associated with that willingness, consideration should be given to whether a given attribute (when appropriate) will characterize American society and its work force more in the future than is presently the case—as a crude but useful form of projections concerning the future of retirement age policy in our country.

Those attributes associated with candidacy for postponing retirement among both men and women included:

Sales and clerical employees.
Low family income.
Nonmarried.
College-educated.

Several dependents.
Rejection of universal fixed retirement age.
High personal initiative, or mastery over one's life.
Work commitment.

Age may be a factor, but only among men. The fact that younger men (those 40-44) had the highest candidacy rate of all men (and those 50 and older, the lowest rate) needs to be interpreted with caution. Such a finding does not necessarily mean that as they grow older, men will be less inclined to respond favorably to any incentive to postpone retirement. (Other data we have show they—the youngest men—have the highest proportion believing that social security is in trouble.) It can also mean that younger male workers of today have a different set of expectations and perceptions about the nature of retirement, expectations and perceptions that may remain with them as they grow older—a possibility that can only be verified through long-term longitudinal research. If they do carry these expectations and perceptions with them as they reach what we now call retirement age, they may be more likely to consider extending their age of retirement beyond the retirement age of men retiring in recent and current years.

Changing retirement age policies and practices will, in our opinion, undoubtedly characterize the next 10 to [illegible] years in American personnel and industrial relations. The previous trend toward early (pre-65) retirement will, at the very least, stabilize and be accompanied by an opposite pattern—an increasing number of workers opting to remain in the labor force longer than their older relatives and counterparts. This new pattern will emerge partly out of economic necessity, and partly out of the changing characteristics (demographic and psychological) that enter into retirement behavior, regardless of historical time period.

At the same time, we might expect a growing attention in Congress and elsewhere to proposals for some form of a gradual increase in the age for retirement under social security (at least for full benefits), as one means of alleviating the rising expenditures for retired workers (and their dependents) benefits. To the extent that the population of such workers increases more than expected (for example, as a result of the increasing life expectancy of persons at ages 60–65), those expenditures might come under closer scrutiny.

We have some preliminary data that bear on the critical issue of the degree of receptivity on the part of workers to such proposals. Workers in our sample who agreed that the social security system was in trouble (approximately 80 percent of the overall sample) were also asked their approval or disapproval of some suggested solutions, including gradually raising retirement age, to keep the number of retired persons from growing so fast. The findings indicate that the following types of workers tend to approve the most of such a proposal:

All but blue-collar workers.
College-educated.
Candidates for retirement postponement.

Can we assume that as the population comes to consist less and less of blue-collar workers, and acquires higher educational levels, proposals of such a nature may be considered more seriously by the electorate? We can only indulge in speculation about such an issue now, but any trends regarding opinions on the idea bear watching.

At any rate, on the level of the individual, inflation appears to be producing changes in one's expected retirement age, and in an upward direction, perhaps for the first time in several decades. If and when individual motives coincide with governmental and other institutional recognition of the aggregate, macrobenefits of an increase in the national average retirement age, we might witness a somewhat dramatic shift in the country's retirement age policy.[10]

ITEM 2. LETTER AND ENCLOSURE FROM EDWARD F. HOWARD, GENERAL COUNSEL, NATIONAL COUNCIL ON THE AGING, INC.,[1] TO SENATOR CHARLES H. PERCY, DATED MAY 12, 1980

Dear Senator Percy: You will recall that, during the April 24 hearing of the Senate Special Committee on Aging, you asked each of the witnesses for information about ideas and suggestions relevant to preretirement planning for employees.

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[10] See H. L. Sheppard and S. E. Rix, "The Graying of Working America: The Coming Crisis of Retirement-Age Policy," New York, 1977 and 1979, Free Press-Macmillan Publishers, for an extended discussion of the economic, biomedical, and demographic factors that may lead to a reanalysis of current retirement age policy.

[1] See page 36 for statement of Karl Kunze, chairman, National Institute on Age, Work, and Retirement, NCOA.

This is a subject about which NCOA has been concerned for some time, and to which we have devoted an increasing amount of attention in the past few years. The scope of our present activities is perhaps best summarized in testimony delivered by our executive director, Jack Ossofsky, before the President's Commission on Pension Policy earlier this year. A copy of that statement is enclosed for review.

The major areas covered by the statement are (1) a survey of the attitudes of top management of the "Fortune 1,000" companies on retirement planning-related questions and (2) the retirement planning program developed by NCOA with support from the Administration on Aging and a consortium of large unions and major companies.

We believe that NCOA's retirement planning program represents a major step forward in the field, particularly in the way it results in a tangible, personalized plan for each employee and spouse involved. We would be happy to provide more details about the program, or respond to any questions you or your staff might have about it.

Your interest in this matter—so vital to the economic well-being of retirees and their families—is greatly appreciated.

Sincerely,

Edward F. Howard,
General Counsel.

Enclosure.

Statement of Jack Ossofsky, Executive Director, the National Council on the Aging, Inc., and Edmund W. Fitzpatrick, Ph. D., Director, Industry Consortium Retirement Planning Program

We are pleased to appear before you today to discuss the question of an adequate retirement income in an inflationary era.

As you know, the National Council on the Aging has a long history of concern over the economic status of older persons, both when they are employed and when they are retired. NCOA is a private, nonprofit organization formed in 1950 and from its inception it has focused on the issues of age, work, income, and retirement as they affect the middle-aged and older worker.

The timing of this hearing is fortunate for it follows by one day the announcement of the results of a major study that will be of interest to the President's Commission on Pension Policy. The survey, entitled "Retirement Preparation: Growing Corporate Involvement," was of the chief executive officers and personnel directors of the Fortune 1,000 companies. The survey was conducted by Research & Forecasts, Inc., a subsidiary of Ruder & Finn, Inc. The National Council on the Aging assisted in the design of the survey and the interpretation of the results.

In the same New York City press conference at which the survey results were announced, the National Council on the Aging also announced the availability of its new retirement planning program. We have prepared materials which summarize both the survey and the new program and, with your permission, we would like to make them available to become a part of the record.

We believe that both the survey and the new retirement planning program—especially its personnal financial planning module—bear on the topic of this hearing. We would like to discuss pertinent aspects of each.

The survey dealt with four major questions:

1. The effect of inflation on early retirement.
2. How the older employee is viewed by employers.
3. The perceived benefits of retirement planning programs; and
4. The future of retirement planning programs.

I will summarize the findings in each of the four areas.

1. *Effects of inflation on early retirement.*—Significantly, nearly 9 of 10 (88 percent) personnel directors queried see a decrease in early retirement among their employees. They view this as a direct result of continuing inflation and its impact on fixed incomes.

This finding coincides with recent reports from the Social Security Administration indicating that applications for early retirement have dropped off. Moreover, scattered reports from individual companies such as Sears & Bechtel suggest that more employees are also delaying their retirement beyond the normal retirement age of 65.

In other words, as a consequence of inflation we see the probable reversal of a 10-year trend toward earlier retirement and, beyond that, more workers delaying their retirement past age 65. The implications are obvious: Unless some means is found to assure employees that their retirement income will be adequate, more older employees will hold onto their jobs and we will have a work force that is aging at an accelerated rate. It will include many employees who would like to retire but who are afraid to do so for financial reasons.

2. *How the older employee is viewed.*—We are pleased to state that the survey also found what appears to be a marked improvement in executives' attitudes toward older workers.

Four out of five (84 percent) of the personnel directors disagree with the statement that older workers tend to be less productive than younger employees.

And nearly one-third (31 percent) of the personnel directors feel that older workers have much better attendance records than younger workers, while the remaining two-thirds (65 percent) believe their attendance records are somewhat better.

In terms of job satisfaction, three of four (74 percent) of the personnel directors report they find older workers to be generally more satisfied with their jobs than are younger employees. These findings can be contrasted with results from earlier studies. In 1974, NCOA commissioned a national study of attitudes toward older persons. That study found nearly 9 of 10 (87 percent) respondents, who said they had personal responsibility for hiring and firing workers, believing older workers to be less productive and more likely to have on-the-job accidents.

The improvement in the attitudes toward older workers, as found in the new survey, is in our view tardy but most welcome. Moreover, the recognition of the productive value of the older worker is taking place at a time when we can expect more older workers to hold onto their jobs, rather than retire, because of the problem they anticipate due to inflation. Accordingly, we can presume that, though the older worker may feel that retirement is not a viable option, he will on the other hand find a more positive work climate than existed only 5 years ago.

3. *Benefits of retirement planning programs.*—The new survey also suggests that the corporate view of retirement planning programs continues to evolve and, we believe, for the better. Significantly only a minority of the respondents (34 percent) believe inducing early retirement—particularly among nonproductive employees—is an important reason for having a preretirement education program.

Perhaps even more interesting is that 9 of 10 (92 percent) of both the chief executive officers and the personnel directors believe retirement planning is important in encouraging people to lead productive lives. And 8 in 10 (81 percent) see it as important in using the Nation's resources.

Nine of ten (91 percent) of the personnel directors indicate that retirement preparation programs will improve relations with employees; 8 in 10 (83 percent) say they will reinforce morale and productivity; and a little over half (53 percent) see them as enhancing the corporate image.

There has been belief among many that a major reason for having a retirement preparation program was to induce retirement. We are pleased that two of three surveyed rejected this view and instead cited more positive reasons for having such programs.

4. *The future of retirement preparation programs.*—More than four of five (83 percent) personnel directors say the major spur to retirement preparation programs is inflation and its financial ramifications. And almost the same percentage (82 percent) agreed with the statement: "Corporations feel they have some social responsibility to prepare their older workers for retirement."

Only 37 percent of the personnel directors say they presently have programs, but another 22 percent of their companies say they are working on them. Almost all (92 percent) of the personnel directors polled think companies will be more committed to retirement planning in the future.

Accordingly, NCOA believes that retirement preparation programs will continue to grow, both in number and in comprehensiveness. Inflation will continue to be one of the major reasons for this growth. At the same time, we believe the changing attitude toward older workers and the commitment to social responsibility will be an equal—and perhaps in the long run, a greater factor in the continued growth of retirement preparation programs. In this connection, I will cite one more finding of the survey. More than 9 of 10 chief executive officers and personnel directors agree that although the responsibility for retirement planning is a shared one between the employer and the employee, the primary responsibility rests with the individual. Retirement preparation programs, of course, are the means for helping employees to meet this responsibility.

In 1977, the National Council on the Aging joined with a consortium of major companies and large unions for the purpose of developing a new approach to retirement preparation. A major feature of this new retirement preparation program would be the unique way in which it treated personal financial planning. These criteria were established:

It had to enable the employee to develop a long-range personal financial plan that takes inflation into account.

The approach had to be one that diverse groups of employees could use, including blue-collar workers.

In preparation for developing the program, a survey was conducted of employee expectations regarding retirement. In response to the question: "If you do run into problems after retirement, in which area or areas are they most likely to occur?" more than two out of three indicated they expected maintaining their standard of living would be a problem. This confirmed our belief that inflation had to be fully addressed in the program we were developing. Discussions with employees after the survey suggested that many believed high inflation rates to be temporary and would probably go away before they retired. It is possible that in the 2 years since this survey more and more employees have come to believe that inflation is here to stay. Many lack confidence they can retire and still be financially secure in such an economy and thus delay their retirement.

I would like to describe briefly how our retirement planning program helps employees and their spouses plan financially for their retirement, taking inflation into account. In describing the process, I will respond to some of the specific questions you wish to have addressed in this hearing.

I would like to mention at the outset that the program is not designed for persons who have very high incomes or persons who have very low incomes. Rather, it is for the great mass of employees who fall between those extremes, from blue-collar employee up through midlevel executive.

The personal financial planning module is the largest component of our new retirement planning program. It requires three sessions of about 2½ hours each to conduct the module. A basic assumption is that, while the employer and the Government might help, each person must assume the responsibility for his or her own financial security in retirement.

This module takes very sophisticated concepts and breaks them up into small, understandable, and easy to use pieces. Employees are helped to apply these pieces step-by-step to their own situation using personal data during the module. As a result, each employee actually produces his own long-range personal financial plan during the three sessions comprising the module.

The module stresses maintaining a given level of purchasing power during the retirement years. Maintaining purchasing power is a key concept and is used so we can deal with finances in future years when inflated dollars have different values from today.

In the early part of the module, the employee is helped to forecast what his retirement expenses will be at the time he plans to retire and what they will be each year of his retirement. This forecast may span a period of, say, 10 years before retirement and 20 years after retirement. An assumption is made about the average inflation rate during that period, such as 7 or 8 percent. In other words, inflation before retirement is taken into account as well as inflation after retirement.

One of the three alternative techniques we help the employee use in determining retirement expenses is to calculate a figure that is equal to 60 to 80 percent of preretirement purchasing power. It is a mistake and is misleading for some economists and noneconomists to talk about 60 to 80 percent of preretirement income. In reality, retirees soon need more than 100 percent of their preretirement income to maintain purchasing power in an inflationary economy. The emphasis should properly be on maintaining purchasing power not maintaining a given income.

After estimating retirement expenses and projecting them into the future, we help the employee and spouse do the same with their currently expected retirement income. We show them how to construct a graph that allows them to quickly and easily compare their expected expenses with their expected income for each year of retirement. We call this graph a retirement income profile.

Since the retirement income profile is in terms of purchasing power, an indexed pension, such as social security, will be seen as holding the same purchasing power over the entire retirement period. On the other hand, a fixed-income pension will be seen as constantly losing its purchasing power.

For example, at a 7-percent rate of inflation, a $200-per-month fixed pension is worth only $100 per month after 10 years and only $50 per month after 20 years. Every 10 years, in other words, its purchasing power is cut in half.

The employee uses his retirement income profile to identify gaps between expected expenses and expected retirement income. An employee might find that in the early years of retirement his retirement income purchasing power will be more than he needs and that it is not until 4 or 5 years after retirement that the income purchasing power gap will develop.

We then assist the employee to determine how much of a nest egg he or she will need in order to fill any gaps that exist over the, say, 20 years of retirement. More specifically, the employee's present assets are analyzed and projected to the time of expected retirement. If they equal or exceed the nest egg needed, it is reasonable for the employee to expect a financially secure retirement. If the projected assets fall short of the amount needed, the employee knows how much in additional assets he needs to create before he retires or, as an alternative, how much he will have to adjust his planned retirement lifestyle in order to reduce costs.

We conclude the module with a substantial amount of time devoted to saving and investment possibilities. Each employee and spouse learns to use a set of basic criteria for evaluating a wide range of saving and investment possibilities that might be of interest to them. Stress is placed on maintaining after-tax yields that come as close to the current inflation rate as possible—or even exceed it—without incurring too much risk.

I wish to emphasize that in this three-session module the employee actually develops a long-range personal retirement financial plan, covering perhaps 30 years, that takes inflation into account. Blue-collar plantworkers and white-collar clerical employees are highly successful in this module, as are other groups of employees.

In the financial plan that results, the employee in effect becomes responsible for indexing his own retirement income to the extent that it is not indexed by another source. The employee also assumes the responsibility for providing an additional pension and indexing it—if the pension from his employer is inadequate from the start. These can represent major demands on an employee's present income. Yet, if the employee does not assume this responsibility, the alternative may be poverty or near poverty if he lives long enough in retirement. The recent Johnson & Higgins/ Louis Harris survey reported that employees are willing to sacrifice current income in order to have indexed retirement benefits.

Some employees in developing their financial plans are surprised to learn that they can afford to retire. These are employees who will not feel they must stay on the job out of fear of inflation when they want to retire.

Employees who find they are grossly inadequately prepared financially for their retirement are usually pleased to have the problem diagnosed and their specific needs identified. They then can begin to realistically assess their options and take positive steps.

Our observation confirm that employees who experience the module are more likely to take advantage of options they overlooked before.

Even with the best efforts, many employees will reach retirement with insufficient pension income to maintain a reasonable semblance of their present standard of living. They will need to be employed at least part-time in order to have an adequate retirement income. In our retirement planning program, we stress the creation of retirement job options well in advance of retirement.

We believe that a comprehensive module such as we have developed can help the employee to fulfill his own responsibilities for retirement financial planning. In support of the same objective, we would like to suggest that the Commission give consideration to the following:

1. Seek ways to encourage the provision of more part-time or part-year work opportunities for persons who are retired or who want to retire. This would not only make use of a valuable, productive resource—older persons—it would also help them to maintain their financial independence. The answers for improving our public and private pension systems are not likely to come quickly. In the meanwhile, part-time retirement employment would be a major benefit to employers whose employees are afraid to retire because of inflation, to the employees who want to retire but are afraid to, and to those already retired who are sliding into poverty as their purchasing power erodes. Wages, even part-time wages, tend to keep up with the cost of living.

2. Studies show that the users of individual retirement accounts and Keogh plans tend to be those who already have some private pension protection. We suspect that the reasons why some individuals do not take advantage of these plans is because they do not understand them. The employee at the local drugstore, foodstore, or clothing shop does not have a CPA or attorney to turn to for information and advice. Yet, anyone opening such a plan must fill out and sign complex legal and financial documents designed for lawyers, not for laymen. Simplifying the use of IRA and Keogh plans and taking steps to increase public understanding might encourage broader use among those who could be most helped by such plans.

3. The greatest disincentive to save is found in the interest rates payable to small depositors—5¼ percent and 5½ percent—which are less than one-half of the current inflation rate. Many savers, in seeking a better return, have purchased certificates of deposit only to find that they have locked themselves for years into low rates relative to the inflation rate.

Results such as these tend to discourage small savers and investors from building their retirement nest eggs. We need more incentives, not disincentives, for this group and, if possible, some means of insuring that their savings and investments for retirement will maintain purchasing power, not lose it before retirement.

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